

Pickaway County Educational Service Center

Pickaway County

Regular Audit

July 1, 2004 through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
[www.bhscpas.com](http://www.bhscpas.com)





**Auditor of State  
Betty Montgomery**

Board of Education  
Pickaway County Educational Service Center  
2050 Stoneridge Dr.  
Circleville, OH 43113

We have reviewed the *Independent Auditor's Report* of the Pickaway County Educational Service Center, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 2, 2006

**This Page is Intentionally Left Blank.**

**Pickaway County Educational Service Center**  
*Table of Contents*  
For the Fiscal Year Ended June 30, 2005

---

<u>Title</u>	<u>Page</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	8
Statement of Activities .....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	10
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities .....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Fiduciary Assets and Liabilities – Agency Fund .....	14
Notes to the Basic Financial Statements .....	15 - 32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	33

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Members of the Board  
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 the Pickaway County Educational Service Center, Pickaway County, Ohio, (the Center), as of and for the year ended June 30, 2005, 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 basic 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 the Center, as of June 30, 2005, 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 March 15, 2006, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board  
Pickaway County Educational Service Center  
Independent Auditor's Report  
Page 2

As described in Note 3 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
March 15, 2006

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(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, 2005. 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, 2005 by \$896,267.
- The Center's net assets of governmental activities increased \$80,239.
- General revenues accounted for \$829,407 in revenue or 29 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$2,004,456 or 71 percent of total revenues of \$2,833,863.
- The Center had \$2,753,624 in expenses related to governmental activities; \$2,004,456 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. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

**REPORTING THE CENTER AS A WHOLE**

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

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

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

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



**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(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, Autism Fund and the Pass Fund.

**Governmental Funds.** All 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 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 2005 compared to 2004.

Table 1 Net Assets		
	2005	2004*
Assets:		
Current Assets	\$436,847	\$869,102
Capital Assets, Net	764,800	296,046
Total Assets	1,201,647	1,165,148
Liabilities:		
Current and Other Liabilities	186,762	151,437
Long-Term Liabilities	118,618	197,683
Total Liabilities	305,380	349,120
Net Assets:		
Invested in Capital Assets, Net of Related Debt	764,800	296,046
Restricted	78,662	61,289
Unrestricted	52,805	458,693
Total Net Assets	\$896,267	\$816,028

\*As restated.

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)

Total net assets of the Center as a whole increased \$80,239. The significant changes cash and capital assets are due to the purchase of land and a building.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

Table 2 Changes in Net Assets		
	2005	2004*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,362,913	\$1,230,546
Operating Grants & Contributions	641,543	586,997
Total Program Revenues	2,004,456	1,817,543
General Revenues:		
Grants and Entitlements	782,887	844,402
Investment Earnings	6,510	4,714
Gifts and Donations	2,574	0
Miscellaneous	11,312	11,962
Gain on Sale of Capital Assets	26,124	0
Total General Revenues	829,407	861,078
Total Revenues	2,833,863	2,678,621
Program Expenses		
Instruction		
Regular	227,921	143,424
Special	79,025	86,046
Adult/Continuing	142,402	70,435
Other	0	500
Support Services		
Pupils	1,100,572	950,266
Instructional Staff	596,302	626,113
Board of Education	22,491	18,096
Administration	312,829	315,195
Fiscal	94,379	96,766
Business	11,829	177,303
Operation and Maintenance of Plant	49,372	32,155
Central	116,502	153,034
Total Expenses	2,753,624	2,669,333
Increase (Decrease) in Net Assets	80,239	9,288
Net Assets at Beginning of Year	816,028	806,740
Net Assets at End of Year	\$896,267	\$816,028

\*As restated.

**Governmental Activities**

Charges for services and sales comprised 48 percent of revenue for governmental activities, while operating grants and contributions comprised 23 percent of revenue for governmental activities of the Center for fiscal year 2005.

As indicated by governmental program expenses, support services are emphasized. Support services for pupils comprised 40 percent of governmental program expenses with support services for instructional staff comprising 22 percent of governmental expenses.

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

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

	2005		2004*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$449,348	(\$35,723)	\$300,405	\$83,311
Support Services	2,304,276	(713,445)	2,368,928	(935,101)
<b>Total Expenses</b>	<b>\$2,753,624</b>	<b>(\$749,168)</b>	<b>\$2,669,333</b>	<b>(\$851,790)</b>

\*As restated.

**THE CENTER'S FUNDS**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,807,740 and expenditures of \$3,563,427. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased \$475,537. This decrease was due to Center purchasing land and a new building for their administrative office. The Pass Fund had \$168,275 in revenues and \$159,995 in expenditures resulting in an \$8,280 increase in fund balance. The Autism Fund had \$50,000 in revenues and \$33,390 in expenditures resulting in a \$16,610 increase in fund balance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2005, the Center had \$764,800 invested in its capital assets. Table 4 shows the fiscal year 2005 balances compared to 2004.

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

	2005	2004
Land	\$66,900	\$48,570
Buildings	662,979	207,250
Furniture and Equipment	34,921	40,226
<b>Totals</b>	<b>\$764,800</b>	<b>\$296,046</b>

Changes in capital assets from the prior year resulted from the Center purchasing land and a new building, as well as, the Center selling their existing building. See Note 5 to the basic financial statements for more detailed information related to capital assets.

**Debt**

At June 30, 2005, the Center did not have any outstanding debt obligations.

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*(Unaudited)*

---

**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, 2005*

---

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$379,037
Accounts Receivable	10,654
Intergovernmental Receivable	47,156
Noncurrent Assets:	
Non-Depreciable Capital Assets	66,900
Depreciable Capital Assets, net	697,900
<i>Total Assets</i>	1,201,647
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	5,185
Accrued Wages and Benefits	118,650
Intergovernmental Payable	62,927
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within One Year	10,094
Due in More Than One Year	108,524
<i>Total Liabilities</i>	305,380
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	764,800
Restricted for Other Purposes	78,662
Unrestricted	52,805
<i>Total Net Assets</i>	\$896,267

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, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$227,921	\$56,797	\$156,666	(\$14,458)
Special	79,025	36,212	16,321	(26,492)
Adult/Continuing	142,402	35,005	112,624	5,227
<b>Support Services:</b>				
Pupils	1,100,572	618,495	80,996	(401,081)
Instructional Staff	596,302	310,822	121,295	(164,185)
Board of Education	22,491	13,421	1,394	(7,676)
Administration	312,829	176,765	39,983	(96,081)
Fiscal	94,379	54,258	7,965	(32,156)
Business	11,829	6,007	2,919	(2,903)
Operation and Maintenance of Plant	49,372	26,617	8,971	(13,784)
Central	116,502	28,514	92,409	4,421
<i>Total Governmental Activities</i>	<u>\$2,753,624</u>	<u>\$1,362,913</u>	<u>\$641,543</u>	<u>(749,168)</u>
<b>General Revenues:</b>				
Grants and Entitlements not Restricted to Specific Programs				782,887
Gifts and Donations not Restricted to Specific Programs				2,574
Investment Earnings				6,510
Gain on Sale of Capital Assets				26,124
Miscellaneous				11,312
<i>Total General Revenues</i>				<u>829,407</u>
<i>Change in Net Assets</i>				80,239
<i>Net Assets Beginning of Year - Restated - See Note 3</i>				<u>816,028</u>
<i>Net Assets End of Year</i>				<u><u>\$896,267</u></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, 2005*

	General Fund	Pass	Autism	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$278,034	\$38,160	\$22,998	\$39,845	\$379,037
Accounts Receivable	8,899	0	0	1,755	10,654
Interfund Receivable	46,860	0	0	0	46,860
Intergovernmental Receivable	7,817	0	31,072	8,267	47,156
<i>Total Assets</i>	<u>\$341,610</u>	<u>\$38,160</u>	<u>\$54,070</u>	<u>\$49,867</u>	<u>\$483,707</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$97	\$0	\$2,191	\$2,897	\$5,185
Accrued Wages and Benefits	96,690	21,516	0	444	118,650
Interfund Payable	0	0	31,072	15,788	46,860
Intergovernmental Payable	49,470	5,483	4,197	3,777	62,927
<i>Total Liabilities</i>	<u>146,257</u>	<u>26,999</u>	<u>37,460</u>	<u>22,906</u>	<u>233,622</u>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	0	0	20,807	0	20,807
Unreserved, Undesignated, Reported in:					
General Fund	195,353	0	0	0	195,353
Special Revenue Funds	0	11,161	(4,197)	26,961	33,925
<i>Total Fund Balances</i>	<u>195,353</u>	<u>11,161</u>	<u>16,610</u>	<u>26,961</u>	<u>250,085</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$341,610</u>	<u>\$38,160</u>	<u>\$54,070</u>	<u>\$49,867</u>	<u>\$483,707</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, 2005*

---

Total Governmental Fund Balances	\$250,085
----------------------------------	-----------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	764,800
--	---------

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	(118,618)
----------------------	-----------

Total	<u>(118,618)</u>
-------	------------------

Net Assets of Governmental Activities	<u><u>\$896,267</u></u>
---------------------------------------	-------------------------

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



**Pickaway County Educational Service Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General Fund	Pass	Autism	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Intergovernmental	\$908,294	\$50,000	\$50,000	\$416,136	\$1,424,430
Program Services	1,152,225	0	0	26,775	1,179,000
Interest	6,510	0	0	0	6,510
Tuition and Fees	46,699	118,275	0	1,734	166,708
Charges for Services	3,910	0	0	0	3,910
Gifts and Donations	2,574	0	0	0	2,574
Rent	4,810	0	0	8,486	13,296
Miscellaneous	9,852	0	0	1,460	11,312
<i>Total Revenues</i>	<u>2,134,874</u>	<u>168,275</u>	<u>50,000</u>	<u>454,591</u>	<u>2,807,740</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	14,049	155,337	0	59,319	228,705
Special	74,850	0	7,182	8,990	91,022
Adult/Continuing	0	0	0	140,352	140,352
Support Services:					
Pupils	1,088,588	0	504	21,118	1,110,210
Instructional Staff	521,223	0	15,439	101,954	638,616
Board of Education	22,491	0	0	0	22,491
Administration	282,008	4,658	8,265	22,156	317,087
Fiscal	95,873	0	0	3,000	98,873
Business	8,874	0	2,000	955	11,829
Operation and Maintenance of Plant	47,064	0	0	3,000	50,064
Central	1,040	0	0	113,745	114,785
Capital Outlay	739,393	0	0	0	739,393
<i>Total Expenditures</i>	<u>2,895,453</u>	<u>159,995</u>	<u>33,390</u>	<u>474,589</u>	<u>3,563,427</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(760,579)</u>	<u>8,280</u>	<u>16,610</u>	<u>(19,998)</u>	<u>(755,687)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In	0	0	0	3,065	3,065
Proceeds from Sale of Capital Assets	288,107	0	0	0	288,107
Transfers Out	(3,065)	0	0	0	(3,065)
<i>Total Other Financing Sources and Uses</i>	<u>285,042</u>	<u>0</u>	<u>0</u>	<u>3,065</u>	<u>288,107</u>
<i>Net Change in Fund Balances</i>	(475,537)	8,280	16,610	(16,933)	(467,580)
<i>Fund Balances at Beginning of Year - Restated - See Note 3</i>	670,890	2,881	0	43,894	717,665
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$195,353</u>	<u>\$11,161</u>	<u>\$16,610</u>	<u>\$26,961</u>	<u>\$250,085</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, 2005*

---

Net Change in Fund Balances - Total Governmental Funds (\$467,580)

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 capital outlays exceeded depreciation in the current period.

Capital Asset Additions	761,504	
Current Year Depreciation	<u>(30,767)</u>	
Total		730,737

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. These are the amounts of the proceeds from the sale of assets and the gain on the disposal of capital assets.

Proceeds from Sale of Capital Assets	(288,107)	
Gain on Disposal of Capital Assets	<u>26,124</u>	
Total		(261,983)

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

Decrease in Compensated Absences	<u>79,065</u>	
Total		<u>79,065</u>

Net Change in Net Assets of Governmental Activities \$80,239

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, 2005*

---

ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,381</u>
<i>Total Assets</i>	<u><u>2,381</u></u>
LIABILITIES:	
Undistributed Monies	<u>\$2,381</u>
<i>Total Liabilities</i>	<u><u>\$2,381</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, 2005*

---

**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, 2005, the Center had no component units.

The Center is associated with three jointly governed organizations, one joint venture, and 2 insurance purchasing pools. These organizations are South Central Ohio Computer Association, Pickaway-Ross Joint Vocational School District, the Central Ohio Special Education Regional Resource Center, the Pickaway County Alternative School for Success, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are discussed in Notes 11, 12, and 13.

**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.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

**A. Fund Accounting (Continued)**

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

*Governmental Fund Types:*

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

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

*Autism Fund* – The Autism Fund is a fund used to account for grant monies received from state agencies.

*Pass Fund* - The Pass Fund (Pickaway County Alternative School for Success) is a fund that is utilized to record receipts and disbursement of a joint venture for which the Pickaway ESC is the fiscal agent.

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 financial activity of the Center's Workers' Compensation 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, 2005*

---

**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, 2005*

---

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures* - The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgetary Process

Although not legally required, the Educational Service 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 Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

Starting in fiscal year 2004, the Educational Service Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service Center was discretionary, the Educational Service Center continued to have its Board approve appropriations and estimated revenues. 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 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 fiscal year, estimated resources and appropriations may be amended or supplemented as circumstances warrant.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

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.

During fiscal year 2005, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$6,510.

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

F. 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 fixed 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
Furniture and Equipment	5-10 years

G. Internal 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.



---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

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.

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 employee's rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employee 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, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. The Center had long-term obligations at June 30, 2005 as disclosed in Note 6.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. 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.

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, undesignated portions of fund equity 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 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENTS**

For fiscal year 2005, the Center implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*. GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the District's financial statements.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The effect on the Center's fund financial statements of the implementation of this bulletin is shown in the table below.

A restatement of beginning net assets is also necessary due to the incorrect calculation of intergovernmental payables. The effect on the Center's financial statements of the correction of this error is noted in the table below.

<u>Fund</u>	<u>Ending Fund Balance/ Net Assets, June 30, 2004</u>	<u>Restatements</u>	<u>Restated Ending Fund Balance/ Net Assets, June 30, 2004</u>
General	\$675,128	(\$4,238)	\$670,890
Other Governmental Funds	48,563	(4,669)	43,894
Governmental Activities: Net Assets	729,981	86,047	816,028

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Equity in Pooled Cash 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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 or other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the Center lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Center's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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** The Center's deposits are required to be categorized to give an indication of the level of risk assumed by the Center at fiscal year end. Category 1 includes deposits 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 deposits which are held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the Center's name. For 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.

At fiscal year end, the carrying amount of the Center's deposits was \$237,818 and the bank balance was \$334,043. Of the bank balance, \$100,000 was covered by federal depository insurance (Category 1). \$234,043 was uninsured and uncollateralized and subject to custodial credit risk (Category 3). 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.

**Investments** The Center's investments are required to be categorized to give an indication of the level of risk assumed by the Center at fiscal 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 which are held by the counterparty'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 counterparty, or by its trust department or agent but not in the Center's name. The Center's investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair/Carrying Value	Weighted Maturity (in years)
STAR Ohio	<u>\$143,600</u>	<u>&lt; 1 Year</u>

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting its investment portfolio to STAR Ohio.

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy allows investments in STAR Ohio Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The Center has invested 100% of its investments in STAR Ohio.

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center’s securities are held in the name of the Center or at least registered in the name of the Center. The Center’s investment policy does not address custodial credit risk.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
<i>GASB Statement No. 9</i>	\$381,418	\$0
STAR Ohio	(143,600)	143,600
<i>GASB Statement No. 3</i>	\$237,818	\$143,600

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance 6/30/2004	Additions	Deletions	Ending Balance 6/30/2005
<i>Governmental Activities:</i>				
Capital Assets Not Being Depreciated				
Land	\$48,570	\$66,900	(\$48,570)	\$66,900
Total Capital Assets, Not Being Depreciated	48,570	66,900	(48,570)	66,900
Capital Assets Being Depreciated				
Building	233,521	685,100	(233,521)	685,100
Furniture and Equipment	359,580	9,504	0	369,084
Total Capital Assets, Being Depreciated	593,101	694,604	(233,521)	1,054,184
Less Accumulated Depreciation				
Building	(26,271)	(15,958)	20,108	(22,121)
Furniture and Equipment	(319,354)	(14,809)	0	(334,163)
Total Accumulated Depreciation	(345,625)	(30,767)	20,108	(356,284)
Total Capital Assets, Being Depreciated Net	247,476	663,837	(213,413)	697,900
Governmental Activities Capital Assets, Net	\$296,046	\$730,737	(\$261,983)	\$764,800

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 5 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,827
Special	334
Adult/Continuing	2,050
Support Services:	
Pupils	467
Instructional Staff	1,730
Administration	1,652
Operation and Maintenance of Plant	21,419
Central	288
Total Depreciation Expense	<u>\$30,767</u>

**NOTE 6 - LONG-TERM LIABILITIES**

The changes in the Center's long-term liabilities during fiscal year 2005 were as follows:

	Balance at 6/30/04	Increase	Decrease	Balance at 6/30/05	Due within One year
Compensated Absences	\$197,683	\$118,618	\$197,683	\$118,618	\$10,094

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

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Center 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. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available, stand alone report that includes financial statements and required supplementary information for SERS. 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 (614) 222-5853.

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 rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salaries was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$53,061, \$32,373, and \$41,990, respectively; 68 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$14,563 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. 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. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated 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.

**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 percent 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 percent. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent 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 percent instead of 2.2 percent. 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 percent 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.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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 a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3 percent of the original base amount.

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.

Plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003 were \$303,660, \$269,775, and \$210,087, respectively; 88 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$37,747 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**NOTE 8 - 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 non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$2,686 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005 the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.



---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. 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 2005, the minimum pay was established at \$27,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$5,887.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

**NOTE 9- 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.

During fiscal year 2005, the Center contracted with Cincinnati Insurance for general property insurance. The coverage has a \$250 deductible with replacement cost insurance of \$207,800.

During fiscal year 2005, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district and educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP. (See Note 13)

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

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

Public officials' bond insurance is provided by The Travelers Casualty and Surety Company of America. The Treasurer and Assistant Treasurer are covered by bonds in the amount of \$50,000.

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.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 9- RISK MANAGEMENT (Continued)**

For fiscal year 2005, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 13). 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.

**NOTE 10 – INTERFUND TRANSACTIONS**

**Interfund Payables/Receivables**

At June 30, 2005, 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	\$46,860	\$0
2004/2005 Autism	0	31,072
Non-Major Funds:		
Family Literacy	0	1,442
2003/2004 Abuse	0	6,079
2004/2005 Ace	0	8,267
Total Non-Major Funds	<u>0</u>	<u>15,788</u>
Total	<u>\$46,860</u>	<u>\$46,860</u>

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

**Interfund Transfers**

Transfers made during the period ended June 30, 2005 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Funds:		
General Fund	\$3,065	\$0
Non-Major Special Revenue Funds:		
2004/2005 Abuse	0	3,065
Total	<u>\$3,065</u>	<u>\$3,065</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 11 - 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, Ross, Vinton, Jackson 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 eight 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.

*Central Ohio Special Education Regional Resource Center (COSERRC)* – The Center passes a motion each year to become a member of COSERRC. The superintendent of the Center is appointed by the Center to be delegate to the Governing Board.

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

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

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

**NOTE 12 – 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 ending June 30, 2005.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 13 – INSURANCE PURCHASING POOL**

***A. Ohio School Boards Association Workers' Compensation Group Rating Program***

The Educational Service 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 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.

***B. Ohio School Plan***

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

**NOTE 14 – STATE FUNDING**

The Educational Service Center is funded by the State Department of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$43.50 for each of the 9,884 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service 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 15 - SCHOOL FUNDING COURT DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient".

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The Center is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

---

**Pickaway County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

---

**NOTE 16 - CONTINGENCIES**

A. Grants

The Center receives 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, 2005.

B. Litigation

The Center is not party to legal proceedings.

**NOTE 17 - RECEIVABLES**

Receivables at June 30, 2005, consisted of accounts (billings for user charged services, tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<i>Major Funds:</i>	
General	\$7,817
Autism	<u>31,072</u>
Total Major Funds	38,889
 <i>Non-Major Funds:</i>	
Misc. Federal Grant	<u>8,267</u>
Total All Funds	<u><u>\$47,156</u></u>

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

Telephone (740) 289-4131  
Fax (740) 289-3639  
[www.bhscpas.com](http://www.bhscpas.com)

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **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***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway County Educational Service Center, Pickaway County, Ohio, (the Center), as of and for the year ended June 30, 2005, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 15, 2006, in which we indicated that the Center implemented GASB Statement No. 40 and GASB Technical Bulletin 2004-2. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's basic 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*.

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



Balestra, Harr & Scherer, CPAs, Inc.  
March 15, 2006



**Auditor of State  
Betty Montgomery**

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 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  
MAY 16, 2006**