

Pickaway County Educational Service Center  
Pickaway County  
Regular Audit  
For the Fiscal Year Ended June 30, 2011



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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pickaway County Educational Service Center, Pickaway County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 8, 2012

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**Pickaway County Educational Service Center**  
**Pickaway County**  
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*For the Fiscal Year Ended June 30, 2011*

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**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pickaway County Educational Service Center, Pickaway County (the Center) as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pickaway County Educational Service Center, Pickaway County as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 16, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



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

December 20, 2011



**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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## **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, 2011. 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, 2011 by \$979,991.
- The Center's net assets of governmental activities increased \$23,241.
- General revenues accounted for \$369,660 in revenue or 9 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,770,328 or 91 percent of total revenues of \$4,139,988.
- The Center had \$4,116,747 in expenses related to governmental activities; \$3,770,328 of these expenses were offset by program specific revenues.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

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

## **REPORTING THE CENTER AS A WHOLE**

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

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

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

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

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

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

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

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

**THE CENTER AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2011 compared to 2010.

Table 1  
 Net Assets  
 Governmental Activities

	2011	2010
Assets:		
Current Assets	\$ 921,949	\$ 754,958
Capital Assets, Net	644,221	681,877
Total Assets	1,566,170	1,436,835
Liabilities:		
Current and Other Liabilities	381,271	321,651
Long-Term Liabilities	204,908	158,434
Total Liabilities	586,179	480,085
Net Assets:		
Invested in Capital Assets	644,221	681,877
Restricted	76,395	94,809
Unrestricted	259,375	180,064
Total Net Assets	\$ 979,991	\$ 956,750

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

Total net assets of the Center as a whole increased \$23,241. The increase is primarily a result of an increase in cash and cash equivalents held by the Center at June 30, 2011. This increase was partially offset by a decrease in capital assets, net of accumulated depreciation and an increase to long-term liabilities. The decrease to capital assets is the result of current year depreciation which was partially offset by current year additions. The long-term liabilities increased due to an increase in compensated absences balances.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2  
Changes in Net Assets  
Governmental Activities

	2011	2010*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 3,013,020	\$ 2,513,815
Operating Grants and Contributions	757,308	660,927
Total Program Revenues	<u>3,770,328</u>	<u>3,174,742</u>
General Revenues:		
Grants and Entitlements not Restricted	317,695	323,850
Miscellaneous	51,965	48,065
Total General Revenues	<u>369,660</u>	<u>371,915</u>
Total Revenues	<u>4,139,988</u>	<u>3,546,657</u>
Program Expenses		
Instruction		
Regular	90,151	163,677
Special	304,947	147,799
Adult/Continuing	63,262	50,824
Other	49,898	56,964
Support Services		
Pupils	1,972,632	1,981,328
Instructional Staff	695,216	526,656
Board of Education	44,334	50,941
Administration	250,963	245,650
Fiscal	154,403	141,463
Business	21,128	23,050
Operation and Maintenance of Plant	141,384	86,167
Pupil Transportation	162,976	100,932
Central	157,753	163,958
Operation of Non-Instructional Services	7,700	-
Total Expenses	<u>4,116,747</u>	<u>3,739,409</u>
Change in Net Assets	23,241	(192,752)
Net Assets at Beginning of Year	956,750	1,149,502
Net Assets at End of Year	<u>\$ 979,991</u>	<u>\$ 956,750</u>

\* Certain reclassifications were made to be consistent with current year reporting. The reclassifications had no effect on net assets.

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

Charges for services and sales increased due to additional tuition received as a result of increased pre-school students, increased contract services with the local school districts, and increased Extra Mile monies received in 2011 versus 2010. Operating grants and contributions increased due to additional foundation monies received and monies received from the Early Head Start program. This increase was partially offset by a decrease in monies received from the Help Me Grow and ABLE programs.

Regular instruction decreased due to the elimination of the PASS program. Special instruction increased due to increased expenditures for Pre-School programs. Instructional staff increased due to additional support for technology and other support to Circleville City School District, Westfall Local School District, Pickaway-Ross Career and Technology Center, and Teays Valley Local School District. Operation and maintenance of plant increased due to additional custodial support to Teays Valley Local School District. Pupil transportation increased due to added bus driver support for the Pickaway-Ross Career and Technology Center.

**Governmental Activities**

Charges for services and sales comprised 73 percent of revenue for governmental activities and operating grants and contributions comprised 18 percent, while general revenue grants and entitlements comprised 8 percent of revenue for governmental activities of the Center for fiscal year 2011.

As indicated by governmental program expenses, support services are emphasized. Support services for pupils comprised 48 percent of governmental program expenses with support services for instructional staff comprising 17 percent of governmental expenses.

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

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	2011		2010*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 508,258	\$ 43,380	\$ 419,264	\$ (57,876)
Support Services	3,600,789	302,390	3,320,145	622,543
Operation of Non-Instructional Services	7,700	649	-	-
<b>Total Expenses</b>	<b>\$ 4,116,747</b>	<b>\$ 346,419</b>	<b>\$ 3,739,409</b>	<b>\$ 564,667</b>

\* Certain reclassifications were made to be consistent with current year reporting. The reclassifications had no effect on net assets.

**THE CENTER'S FUNDS**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$4,151,970 and expenditures and other financing uses of \$4,033,236. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased \$127,230. This increase was primarily due to an increase in charges for services which was partially offset by increases to special instruction, instructional staff expenditures, and operation of maintenance and plant expenditures. The Special Program Special Revenue Fund had \$470,718 in revenues and \$483,893 in expenditures resulting in a \$13,175 decrease in fund balance.

**Pickaway County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2011, the Center had \$644,221 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2011 balances compared to 2010.

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

	2011	2010
Land	\$ 66,900	\$ 66,900
Land Improvements	-	3,544
Building	541,549	564,603
Furniture and Equipment	35,772	46,830
Totals	<u>\$ 644,221</u>	<u>\$ 681,877</u>

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

**Debt**

At June 30, 2011, the Center had no outstanding debt obligations. See Note 5 to the basic financial statements for more detailed information related to other long-term obligations.

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

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

**Pickaway County Educational Service Center**  
*Statement of Net Assets*  
*June 30, 2011*

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 824,347
Accounts Receivable	21,703
Intergovernmental Receivable	75,899
Noncurrent Assets:	
Non-Depreciable Capital Assets	66,900
Depreciable Capital Assets, net	577,321
<i>Total Assets</i>	1,566,170
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	26,319
Accrued Wages and Benefits	236,767
Intergovernmental Payable	118,185
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within One Year	1,749
Due in More Than One Year	203,159
<i>Total Liabilities</i>	586,179
<b>NET ASSETS:</b>	
Invested in Capital Assets	644,221
Restricted for Other Purposes	76,395
Unrestricted	259,375
<i>Total Net Assets</i>	\$ 979,991

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, 2011

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 90,151	\$ 21,054	\$ 57,904	\$ (11,193)
Special	304,947	252,942	26,239	(25,766)
Adult/Continuing	63,262	11,356	49,356	(2,550)
Other	49,898	36,117	9,910	(3,871)
Support Services:				
Pupils	1,972,632	1,564,528	248,654	(159,450)
Instructional Staff	695,216	518,114	123,763	(53,339)
Board of Education	44,334	34,932	3,624	(5,778)
Administration	250,963	204,950	24,830	(21,183)
Fiscal	154,403	118,132	24,087	(12,184)
Business	21,128	17,529	1,818	(1,781)
Operation and Maintenance of Plant	141,384	74,704	23,282	(43,398)
Pupil Transportation	162,976	94,213	57,619	(11,144)
Central	157,753	58,061	105,559	5,867
Operation of Non-Instructional Services	7,700	6,388	663	(649)
<i>Total Governmental Activities</i>	<u>\$ 4,116,747</u>	<u>\$ 3,013,020</u>	<u>\$ 757,308</u>	<u>(346,419)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				317,695
Miscellaneous				51,965
<i>Total General Revenues</i>				<u>369,660</u>
<i>Change in Net Assets</i>				23,241
<i>Net Assets Beginning of Year</i>				<u>956,750</u>
<i>Net Assets End of Year</i>				<u>\$ 979,991</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, 2011*

	<u>General Fund</u>	<u>Special Program Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 696,250	\$ 81,353	\$ 46,744	\$ 824,347
Accounts Receivable	18,374	2,429	900	21,703
Interfund Receivable	31,217	-	-	31,217
Intergovernmental Receivable	27,923	42,976	5,000	75,899
<i>Total Assets</i>	<u>\$ 773,764</u>	<u>\$ 126,758</u>	<u>\$ 52,644</u>	<u>\$ 953,166</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 18,508	\$ 2,549	\$ 5,262	\$ 26,319
Accrued Wages and Benefits	212,637	14,656	9,474	236,767
Interfund Payable	-	31,217	-	31,217
Intergovernmental Payable	92,917	18,802	6,466	118,185
Deferred Revenue	-	-	5,000	5,000
<i>Total Liabilities</i>	<u>324,062</u>	<u>67,224</u>	<u>26,202</u>	<u>417,488</u>
<b>FUND BALANCES:</b>				
Restricted	-	59,534	34,639	94,173
Assigned	10,695	-	-	10,695
Unassigned	439,007	-	(8,197)	430,810
<i>Total Fund Balances</i>	<u>449,702</u>	<u>59,534</u>	<u>26,442</u>	<u>535,678</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 773,764</u>	<u>\$ 126,758</u>	<u>\$ 52,644</u>	<u>\$ 953,166</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, 2011*

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<b>Total Governmental Fund Balances</b>	\$	535,678
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		644,221
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	5,000	5,000
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	(204,908)	(204,908)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>979,991</b>

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, 2011*

	General Fund	Special Program Fund	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Intergovernmental	\$ 597,601	\$ 192,646	\$ 291,503	\$ 1,081,750
Program Services	2,697,903	257,767	-	2,955,670
Charges for Services	-	-	57,025	57,025
Gifts and Donations	-	4,363	-	4,363
Rent	325	-	-	325
Miscellaneous	36,276	15,942	-	52,218
<i>Total Revenues</i>	<u>3,332,105</u>	<u>470,718</u>	<u>348,528</u>	<u>4,151,351</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	23,743	2,557	62,771	89,071
Special	290,070	-	-	290,070
Adult/Continuing	-	21,436	40,998	62,434
Other	32,287	17,611	-	49,898
<b>Support Services:</b>				
Pupils	1,723,905	243,080	359	1,967,344
Instructional Staff	572,781	39,597	57,240	669,618
Board of Education	42,104	-	-	42,104
Administration	244,356	866	3,624	248,846
Fiscal	133,472	13,332	7,200	154,004
Business	21,128	-	-	21,128
Operation and Maintenance of Plant	85,447	7,194	13,100	105,741
Pupil Transportation	26,253	136,723	-	162,976
Central	1,010	1,497	159,176	161,683
Operation of Non-instructional Services	7,700	-	-	7,700
<i>Total Expenditures</i>	<u>3,204,256</u>	<u>483,893</u>	<u>344,468</u>	<u>4,032,617</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>127,849</u>	<u>(13,175)</u>	<u>4,060</u>	<u>118,734</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	-	-	619	619
Transfers Out	(619)	-	-	(619)
<i>Total Other Financing Sources and Uses</i>	<u>(619)</u>	<u>-</u>	<u>619</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	127,230	(13,175)	4,679	118,734
<i>Fund Balances at Beginning of Year</i>	<u>322,472</u>	<u>72,709</u>	<u>21,763</u>	<u>416,944</u>
<i>Fund Balances at End of Year</i>	<u>\$ 449,702</u>	<u>\$ 59,534</u>	<u>\$ 26,442</u>	<u>\$ 535,678</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, 2011*

**Net Change in Fund Balances - Total Governmental Funds** \$ 118,734

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

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

Capital Asset Additions	3,606	
Current Year Depreciation	(41,262)	
Total		(37,656)

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

Intergovernmental	(11,110)	
Miscellaneous	(253)	
Total		(11,363)

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

Increase in Compensated Absences	(46,474)	
		(46,474)

**Net Change in Net Assets of Governmental Activities** \$ 23,241

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, 2011*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 14,261</u>
<b>Total Assets</b>	<u><u>\$ 14,261</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 14,261</u>
<b>Total Liabilities</b>	<u><u>\$ 14,261</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, 2011*

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**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, 2011, the Center had no component units.

During fiscal year 2011, the Center was associated with three jointly governed organizations, one joint venture, and two insurance purchasing pools. These organizations are South Central Ohio Computer Association, Pickaway-Ross Career and Technical Center, School Study Council of Ohio, the Pickaway County Alternative School for Success, the Ohio Association of School Business Officials Workers' Compensation Group Rating Program, and Schools of Ohio Risk Sharing Authority. These organizations are discussed in Notes 10, 11 and 14.

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Fund Accounting

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

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

*Governmental Funds:*

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

*General Fund* - The General Fund is the general operating fund of the Center and is used to account for all financial resources, not accounted for and reported in another fund. The General Fund is available to the Center for any purpose provided it is expended or transferred according to the school laws of Ohio.

*Special Program Special Revenue Fund* - The Special Program Special Revenue Fund is used to account for financial resources received and expended for various programs provided by the Center. The major sources of revenue of this fund are intergovernmental grants and charges for services provided by the Center.

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

*Fiduciary Funds:*

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

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

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, 2011*

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**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, 2011*

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

D. Budgetary Process

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet and the statement of net assets.

As of June 30, 2011, the Center had no investments.



**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

**F. Capital Assets and Depreciation**

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

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

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

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

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

**G. Interfund Balances**

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

**H. Intergovernmental Revenues**

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

**I. Interfund Transactions**

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

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

J. Compensated Absences

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

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 10 years of current service with the Center and for certified employees and administrators after 10 years of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The Center had no matured compensated absences payable at June 30, 2011.

K. Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds upon the occurrence of employee resignations and retirements are reported as a liability in the fund financial statements. The Center had long-term obligations at June 30, 2011 as disclosed in Note 5.

L. Net Assets

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

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

Of the Center's \$76,395 in restricted net assets, none are restricted by enabling legislation.

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Center Board. Those committed amounts cannot be used for any other purpose unless the Center Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Center Board.

***Unassigned*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Estimates

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Center into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

As of June 30, 2011, the Center’s bank balance of \$950,407 is either covered by FDIC or collateralized by the financial institutions’ public entity deposit pools in the manner described above.

**Investments** As of June 30, 2011, the Center had no investments.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance <u>6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/2011</u>
<i>Governmental Activities:</i>				
Capital Assets Not Being Depreciated				
Land	\$ 66,900	\$ -	\$ -	\$ 66,900
Total Capital Assets Not Being Depreciated	<u>66,900</u>	<u>-</u>	<u>-</u>	<u>66,900</u>
Capital Assets Being Depreciated				
Land Improvements	19,330	-	-	19,330
Building	691,274	-	-	691,274
Furniture and Equipment	420,068	3,606	(1,653)	422,021
Total Capital Assets Being Depreciated	<u>1,130,672</u>	<u>3,606</u>	<u>(1,653)</u>	<u>1,132,625</u>
Less Accumulated Depreciation				
Land Improvements	(15,786)	(3,544)	-	(19,330)
Building	(126,671)	(23,054)	-	(149,725)
Furniture and Equipment	(373,238)	(14,664)	1,653	(386,249)
Total Accumulated Depreciation	<u>(515,695)</u>	<u>(41,262)</u>	<u>1,653</u>	<u>(555,304)</u>
Total Capital Assets Being Depreciated, Net	<u>614,977</u>	<u>(37,656)</u>	<u>-</u>	<u>577,321</u>
Governmental Activities Capital Assets, Net	<u>\$ 681,877</u>	<u>\$ (37,656)</u>	<u>\$ -</u>	<u>\$ 644,221</u>

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,080
Special	76
Adult/Continuing	828
Support Services:	
Pupils	471
Instructional Staff	753
Board of Education	2,230
Operation and Maintenance of Plant	35,643
Central	<u>181</u>
Total Depreciation Expense	<u>\$41,262</u>

**NOTE 5 - LONG-TERM LIABILITIES**

The changes in the Center's long-term liabilities during fiscal year 2011 were as follows:

	Balance at 6/30/10	Increase	Decrease	Balance at 6/30/11	Due within one year
Compensated Absences	\$158,434	\$299,241	\$252,767	\$204,908	\$1,749

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

*School Employees Retirement System*

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Center's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$96,917, \$93,819, and \$48,739, respectively; 50 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$40,901 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)**

*State Teachers Retirement System*

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

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

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB 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% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The DB 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 DB 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 DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$267,704, \$267,177, and \$278,438, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. \$44,301 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**NOTE 7 - POSTEMPLOYMENT BENEFITS**

*State Teachers Retirement System*

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$21,124, \$20,559, and \$20,803 for fiscal years 2011, 2010, and 2009, respectively, which were equal to the required allocations for each year.



**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)**

*School Employees Retirement System*

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent, respectively. For the Center, contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,394, \$4,400, and \$2,970, which were equal to the required contributions for each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Center, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$25,022, \$8,653, and \$21,441, respectively, which equaled the required allocation for each year.

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

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

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 8- RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Center contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for general property insurance. The coverage has a \$1,000 deductible with replacement cost coverage of \$2,115,875.

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

General Liability - Occurrence Form:	
Bodily Injury and Property Damage	\$6,000,000
Personal Injury/Advertising Liability	6,000,000
Products/Completed Operations	6,000,000
Employee Benefits Liability	6,000,000
Employers Stop Gap Liability	
Bodily Injury by Accident	6,000,000
Bodily Injury by Disease - Policy Limit	6,000,000
Bodily Injury by Disease - Each Employee	6,000,000
Aggregate Limit	6,000,000
General Annual Aggregate	8,000,000
Fire Damage Limit - Any One Event	500,000

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

Settled claims have not exceeded this commercial coverage in any of the past three years. The Center evaluated insurance coverages and as a result increased their coverage for the current year.

For fiscal year 2011, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**NOTE 9 – INTERFUND TRANSACTIONS**

**Interfund Payables/Receivables**

At June 30, 2011, 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	\$ 31,217	\$ -
Special Program Fund	-	31,217
Total Major Funds	31,217	31,217
Total	\$ 31,217	\$ 31,217

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

**Transfers**

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund	\$ -	\$ 619
Non-Major Fund:		
Pass Fund	619	-
Total	\$ 619	\$ 619

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in the Pass Fund.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The Center is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Pickaway, Ross, Vinton, Jackson, Gallia, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

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

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

**NOTE 11 – JOINT VENTURE**

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

At the end of fiscal year 2010, the PASS Program began phasing out. During July and August of 2010, the Center covered any final expenses and the PASS Program was discontinued.

**NOTE 12 – STATE FUNDING**

The Center is funded by the State Department of Education from State funds for the cost of salaries, the employer’s retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Center receives \$43.50 for each of the 9,523 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Center’s supervision). Funds are apportioned by the State Board of Education among the local school districts to which the Center provides services. These payments are received through the State’s foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

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

**NOTE 13 - CONTINGENCIES**

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2011.

B. Litigation

The Center is not party to legal proceedings.

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 14 – INSURANCE PURCHASING POOLS**

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

The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

B. Schools of Ohio Risk Sharing Authority

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

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

**NOTE 15 – ACCOUNTABILITY**

Accountability - Fund Balance Deficits

At June 30, 2011, the Pass and the Pass Challenge Special Revenue Funds had fund balance deficits of \$29 and \$8,168, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted had no effect on beginning fund balance in the Center's financial statements.

**Pickaway County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 17 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Special Program	All Other Governmental	Total Governmental Funds
<b>Restricted for</b>				
Special Programs	\$0	\$59,534	\$0	\$59,534
Other Purposes	0	0	3,921	3,921
Bus Driver Safety	0	0	30,718	30,718
Total Restricted	<u>0</u>	<u>59,534</u>	<u>34,639</u>	<u>94,173</u>
<b>Assigned to</b>				
Other Purposes	<u>10,695</u>	<u>0</u>	<u>0</u>	<u>10,695</u>
<b>Unassigned (Deficit)</b>	<u>439,007</u>	<u>0</u>	<u>(8,197)</u>	<u>430,810</u>
Total Fund Balances	<u>\$449,702</u>	<u>\$59,534</u>	<u>\$26,442</u>	<u>\$535,678</u>

**Pickaway County Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 800,315	\$ 593,390	\$ 592,260	\$ (1,130)
Tuition and Fees	1,569,598	2,020,598	2,019,655	(943)
Rent	-	25	25	-
Customer Sales and Services	430,200	648,763	647,629	(1,134)
Miscellaneous	200	409	409	-
<b>Total Revenues</b>	<b>2,800,313</b>	<b>3,263,185</b>	<b>3,259,978</b>	<b>(3,207)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	23,000	44,629	21,969	22,660
Special	136,607	272,743	266,391	6,352
Other	-	34,116	30,211	3,905
<b>Support Services:</b>				
Pupils	1,885,929	1,949,304	1,711,715	237,589
Instructional Staff	349,857	591,872	568,748	23,124
Board of Education	77,961	78,309	49,555	28,754
Administration	632,679	537,449	247,874	289,575
Fiscal	136,246	141,996	126,625	15,371
Business	33,200	33,200	24,718	8,482
Operation and Maintenance of Plant	53,050	101,867	87,013	14,854
Pupil Transportation	-	26,956	24,312	2,644
Central	1,000	1,200	1,010	190
Operation of Non-Instructional Services	-	3,097	3,097	-
<b>Total Expenditures</b>	<b>3,329,529</b>	<b>3,816,738</b>	<b>3,163,238</b>	<b>653,500</b>
Excess of Revenues Over (Under) Expenditures	(529,216)	(553,553)	96,740	650,293
<b>OTHER FINANCING SOURCE AND (USES):</b>				
Advances In	-	-	216,319	216,319
Refund of Prior Year Expenditures	-	24,439	24,439	-
Advances Out	-	-	(180,236)	(180,236)
Transfers Out	-	-	(619)	(619)
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>24,439</b>	<b>59,903</b>	<b>35,464</b>
<b>Net Change in Fund Balance</b>	<b>(529,216)</b>	<b>(529,114)</b>	<b>156,643</b>	<b>685,757</b>
Fund Balance at Beginning of Year	492,155	492,155	492,155	-
Prior Year Encumbrances Appropriated	18,519	18,519	18,519	-
<b>Fund Balance at End of Year</b>	<b>\$ (18,542)</b>	<b>\$ (18,440)</b>	<b>\$ 667,317</b>	<b>\$ 685,757</b>

See accompanying notes to supplementary information.

**Pickaway County Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
*Special Program Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budget Amounts			Variance With Final Budget Over/(Under)
	Original	Final	Actual	
<b>REVENUES:</b>				
Intergovernmental	\$ 241,151	\$ 264,494	\$ 227,438	\$ (37,056)
Tuition and Fees	170,000	221,099	200,208	(20,891)
Gifts and Donations	397	4,365	4,127	(238)
Customer Sales and Services	31,855	15,555	15,555	-
Miscellaneous	9,209	31,725	25,813	(5,912)
<b>Total Revenues</b>	<b>452,612</b>	<b>537,238</b>	<b>473,141</b>	<b>(64,097)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	26,297	5,542	2,888	2,654
Adult/Continuing	18,064	39,811	22,752	17,059
Other	34,935	34,935	21,417	13,518
<b>Support Services:</b>				
Pupils	300,050	324,853	257,311	67,542
Instructional Staff	-	47,879	43,027	4,852
Administration	7,908	7,984	906	7,078
Fiscal	12,084	13,332	13,332	-
Operation and Maintenance of Plant	7,700	7,450	7,449	1
Pupil Transportation	110,515	120,807	120,807	-
Central	693	836	220	616
<b>Total Expenditures</b>	<b>518,246</b>	<b>603,429</b>	<b>490,109</b>	<b>113,320</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(65,634)</b>	<b>(66,191)</b>	<b>(16,968)</b>	<b>49,223</b>
<b>OTHER FINANCING SOURCE AND (USES):</b>				
Advances In	-	100	156,630	156,530
Advances Out	(47,000)	(47,100)	(174,412)	(127,312)
<b>Total Other Financing Sources and Uses</b>	<b>(47,000)</b>	<b>(47,000)</b>	<b>(17,782)</b>	<b>29,218</b>
<b>Net Change in Fund Balance</b>	<b>(112,634)</b>	<b>(113,191)</b>	<b>(34,750)</b>	<b>78,441</b>
Fund Balance at Beginning of Year	112,025	112,025	112,025	-
Prior Year Encumbrances Appropriated	300	300	300	-
<b>Fund Balance at End of Year</b>	<b>\$ (309)</b>	<b>\$ (866)</b>	<b>\$ 77,575</b>	<b>\$ 78,441</b>

See accompanying notes to supplementary information.



**Pickaway County Educational Service Center**  
*Notes to Supplementary Information*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 1 – Budgetary Process**

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

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

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

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

**Note 2 – Budgetary Basis of Accounting**

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

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

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

**Pickaway County Educational Service Center**  
*Notes to Supplementary Information*  
For the Fiscal Year Ended June 30, 2011

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

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

Net Changes in Fund Balances		
	General	Special Program
GAAP Basis	\$ 127,230	\$ (13,175)
Adjustments:		
Revenue Accruals	(47,688)	2,423
Expenditure Accruals	69,951	(2,438)
Advances In	216,319	156,630
Advances Out	(180,236)	(174,412)
Encumbrances	(28,933)	(3,778)
Budget Basis	\$ 156,643	\$ (34,750)

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

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

We have audited the financial statements the governmental activities, each major fund, and the aggregate remaining fund information of Pickaway County Educational Service Center, Pickaway County (the Center) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011, wherein we noted the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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**

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

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

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

**Compliance and Other Matters**

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

Pickaway County Educational Service Center  
Pickaway County  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*  
Page 2

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



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

December 20, 2011

**Pickaway County Educational Service Center**

*Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2011*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2010-1	Significant deficiency – financial reporting	Yes	Fully corrected

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# Dave Yost • Auditor of State

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER

PICKAWAY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 21, 2012