



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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## REPORT OF INDEPENDENT ACCOUNTANTS

Perry-Hocking Educational Service Center  
Perry County  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Education:

We have audited the accompanying financial statements of the Perry-Hocking Educational Service Center, Perry County, Ohio (the Center), as of and for the year ended June 30, 2002. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Perry-Hocking Educational Service Center, Perry County, as of June 30, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2002, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Perry-Hocking Educational Service Center  
Perry County  
Report of Independent Accountants  
Page 2

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the audit committee, the Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

October 28, 2002

PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND  
CASH BALANCES  
ALL FUND TYPES  
AS OF JUNE 30, 2002

Cash	\$	591,328
Investments		<u>521,771</u>
<b>Total</b>	<b>\$</b>	<b><u><u>1,113,099</u></u></b>

CASH BALANCES BY FUND TYPE

<b>Governmental Funds:</b>		
General Fund	\$	481,910
Special Revenue Funds		606,218
Capital Projects Fund		2,117
<b>Proprietary Funds:</b>		
Enterprise Funds		3,360
Internal Service Fund		<u>19,494</u>
<b>Total</b>	<b>\$</b>	<b><u><u>1,113,099</u></u></b>

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

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Receipts:</b>				
Receipts from Local Sources				
Tuition	\$	\$ 80,706	\$	\$ 80,706
Contract Service	2,143,242			2,143,242
Earnings on Investment	146,308			146,308
Extracurricular Activities	1,059			1,059
Miscellaneous	321,067	16,179		337,246
Receipts from State Sources				
Unrestricted Grants-In-Aid	729,896			729,896
Restricted Grants-In-Aid	3,473	2,229,185	3,297	2,235,955
Receipts from Federal Sources				
Restricted Grants-In-Aid	144,946	213,913		358,859
<b>Total Receipts</b>	<u>3,489,991</u>	<u>2,539,983</u>	<u>3,297</u>	<u>6,033,271</u>
<b>Disbursements:</b>				
Instruction:				
Regular	471,387	1,174,162	1,180	1,646,729
Special	809,952	73,561		883,513
Adult/Continuing	170	45,492		45,662
Supporting Services:				
Pupils	562,886	58,022		620,908
Instructional Staff	599,425	330,714		930,139
Board of Education	32,043	364,912		396,955
Administration	812,840	107,390		920,230
Fiscal Services	126,854	96,371		223,225
Operation and Maintenance - Plant	112,231	1,256		113,487
Pupil Transportation	1,150			1,150
Central	74,309			74,309
Community Services	46,344			46,344
Extracurricular Activities:				
Academic and Subject Oriented Activities		5,694		5,694
Facilities Acquisition and Construction Services:				
Site Acquisition	192,507	54,620		247,127
Site Improvement		14,630		14,630
<b>Total Disbursements</b>	<u>3,842,098</u>	<u>2,326,824</u>	<u>1,180</u>	<u>6,170,102</u>
Excess of Receipts Over/(Under) Disbursements	<u>(352,107)</u>	<u>213,159</u>	<u>2,117</u>	<u>(136,831)</u>
<b>Other Financing Sources/(Uses):</b>				
Sale and Loss on Assets	864			864
Advances-In	10,000	5,000		15,000
Refund of Prior Year Expenditures	20			20
Advances-Out	(5,000)			(5,000)
Refund of Prior Year Receipts		(28,987)		(28,987)
<b>Total Other Financing Sources/(Uses)</b>	<u>5,884</u>	<u>(23,987)</u>		<u>(18,103)</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	<u>(346,223)</u>	<u>189,172</u>	<u>2,117</u>	<u>(154,934)</u>
Fund Cash Balances, July 1	<u>828,133</u>	<u>417,046</u>		<u>1,245,179</u>
<b>Fund Cash Balances, June 30</b>	<u>\$ 481,910</u>	<u>\$ 606,218</u>	<u>\$ 2,117</u>	<u>\$ 1,090,245</u>

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



**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>
<b>Operating Receipts:</b>			
Charges for Services	\$	\$ 80,044	\$ 80,044
Food Service	3,992		3,992
Extracurricular Activities	3,680		3,680
Total Operating Receipts	<u>7,672</u>	<u>80,044</u>	<u>87,716</u>
<b>Operating Disbursements:</b>			
Purchased Services	18,427	6,001	24,428
Supplies and Materials	319		319
Claims Payments		49,589	49,589
Total Operating Disbursements	<u>18,746</u>	<u>55,590</u>	<u>74,336</u>
Operating Income/(Loss)	<u>(11,074)</u>	<u>24,454</u>	<u>13,380</u>
<b>Nonoperating Receipts/(Disbursements):</b>			
State Unrestricted Grants-In-Aid	720		720
Federal Unrestricted Grants-In-Aid	13,714		13,714
Total Nonoperating Receipts/(Disbursements)	<u>14,434</u>		<u>14,434</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	3,360	24,454	27,814
Advances-Out		(10,000)	(10,000)
Net Income/(Loss)	3,360	14,454	17,814
Fund Cash Balances, July 1		5,040	5,040
<b>Fund Cash Balances, June 30</b>	<u>\$ 3,360</u>	<u>\$ 19,494</u>	<u>\$ 22,854</u>

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

**PERRY-HOCKIING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL -  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$3,466,745	\$3,500,875	\$34,130
Special Revenue	2,582,472	2,544,983	(37,489)
Capital Projects	3,297	3,297	
<b>Proprietary</b>			
Enterprise	21,662	22,106	444
Internal Service	80,000	80,044	44
<b>Totals (Memorandum Only)</b>	<b><u>\$6,154,176</u></b>	<b><u>\$6,151,305</u></b>	<b><u>(\$2,871)</u></b>

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

PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
ALL BUDGETED FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

Fund Types/Fund	Prior Year Carryover Appropriations	Appropriations	Total	Disbursements	Encumbrances Outstanding 6/30/2002	Total	Variance Favorable (Unfavorable)
<b>Governmental</b>							
General	\$10,976	\$3,989,024	\$4,000,000	\$3,847,098	\$48,128	\$3,895,226	\$104,774
Special Revenue	42,259	2,923,995	2,966,254	2,355,811	385,627	2,741,438	224,816
Capital Projects		3,297	3,297	1,180	2,117	3,297	
<b>Proprietary</b>							
Enterprise		21,900	21,900	18,746		18,746	3,154
Internal Service		70,000	70,000	65,590		65,590	4,410
<b>Totals (Memorandum Only)</b>	<b>\$53,235</b>	<b>\$7,008,216</b>	<b>\$7,061,451</b>	<b>\$6,288,425</b>	<b>\$435,872</b>	<b>\$6,724,297</b>	<b>\$337,154</b>

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

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**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Perry-Hocking Educational Service Center, Perry County (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 defined by Ohio Revised Code §3311.05, and is located in New Lexington, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to New Lexington City School District; Crooksville Exempted Village School District; and Northern, Southern, and Logan-Hocking Local School Districts. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

As of July 1, 1997, the Perry County Educational Service Center merged with the Hocking County Educational Service Center to become the Perry-Hocking Educational Service Center.

The Center is associated with the following entities, presented in Note 7, which are defined as jointly governed organizations:

- Southeastern Ohio Voluntary Education Cooperative
- Coalition of Rural and Appalachian Schools
- Central Ohio Special Education Regional Resource Center
- Ohio Coalition for Equity and Adequacy of School Funding
- Ohio Coalition for Children with Disabilities
- Regional Professional Development Center

In addition the Center is associated with the Ohio School Boards Association Worker's Compensation Group Rating Program, an insurance purchasing pool. This organization is presented in Note 8.

Management believes the financial statements included in this report represent all of the funds of the Center over which the Center has the ability to exercise direct operating control.

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the Center chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting (Continued)**

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the Center in a Fiscal Caution Status. This status requires the Center to submit a corrective action plan to the Department. The Auditor of State has reported this matter to the Ohio Department of Education.

**C. Pooled Cash and Investments**

The Center invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The investment in STAROhio is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Center maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types**

**General Fund**

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

**Special Revenue Funds**

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Proprietary Fund Types**

**Enterprise Fund**

The Enterprise Fund is used to account for operations (a) that are financed and operated in manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Fund**

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

**E. Budgetary Process**

The budgetary process is prescribed by provisions of section 3317.11 of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balances and then are accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

In the first quarter of each fiscal year, the Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Center. Part (C) includes the adopted appropriation resolution of the Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Center the amount from part (B) that is to be apportioned to their district.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**Appropriations:**

The annual appropriation resolution is legally enacted by the Center at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Center may pass a temporary appropriation measure to meet the ordinary expenses of the Center. The appropriation resolution, by fund, must be within the estimated resources and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Center.

The Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Accumulated Unpaid Vacation Leave and Sick Leave**

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2002.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.



**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. CASH AND CASH EQUIVALENTS**

The Center maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

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

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

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

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

- a. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. CASH AND CASH EQUIVALENTS (Continued)**

- e. 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;
- f. The State Treasurer's investment pool (STAROhio); and
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At fiscal year end, the carrying amount of the Center's deposits was \$591,328 and the bank balance was \$949,775. Of the bank balance:

- 1. \$113,398 was covered by the Federal Deposit Insurance Corporation; and,
- 2. \$836,377 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**Investments:** Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002. The Center's investment in STAROhio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>Investments</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
STAROhio	\$521,771	\$521,771

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**3. RISK MANAGEMENT**

**A. Property and Liability**

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year ending June 30, 2002, the Center contracted with various insurance companies for property and general liability insurance. Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit with \$3,000,000 aggregate and no deductible. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

**B. Workers' Compensation**

The Center pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

**C. Employee Medical and Life Benefits**

The Center provides a comprehensive health insurance plan with Anthem (Blue Cross/Blue Shield Association) for all eligible employees. The Board pays 90% of both the single and family premium. The monthly premium for family coverage is \$743.99 and \$241.01 for individual. This insurance provides prescription drug insurance which utilizes a \$5 per prescription deductible.

Dental and vision coverage is provided on a self-insured basis through Medical Claims Service Inc. Premiums for dental and vision coverage are \$62.59. The Board pays 90% and each employee pays 10% of the monthly premium. Additional protection is provided to participants in the form of excess loss insurance.

Life insurance in the amount of \$20,000 in coverage is provided through Standard Life Insurance Company. The Board pays 100% of the premium.

**4. STATE FUNDING**

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

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

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**4. STATE FUNDING (Continued)**

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

**5. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System of Ohio**

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$225,109, \$177,945, and \$131,601, respectively.

**B. School Employees Retirement System of Ohio**

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$49,198, \$41,346, and \$28,827, respectively.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Center's liability is 6.2 percent of wages paid.

**6. POST-EMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$106,421, \$84,124, and \$62,215, for fiscal years 2002, 2001 and 2000, respectively.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the Educational Service Center, the amounts contributed to fund health care benefits, including the surcharge, during fiscal years 2002, 2001, and 2000 equaled \$114,795, \$96,475 and \$67,263, respectively.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**6. POST-EMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**7. JOINTLY GOVERNED ORGANIZATIONS**

**A. The Southeast Ohio Voluntary Education Cooperative (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 30 participants consisting of 28 school districts and 2 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**B. Central Ohio Special Education Regional Resource Center (COSERRC)**

The Central Ohio Special Education Regional Resource Center (COSERRC) is a not-for profit Council of Governments of various school districts in Central Ohio. The Center participates in services that assist the Center in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the Center. COSERRC is not dependent upon the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for COSERRC.

**C. Ohio Coalition for Equity and Adequacy of School Funding**

The Coalition is a jointly governed organization including over 500 school districts in Ohio. The Coalition is operated by a Steering Committee comprised of Superintendents and other education agency representatives. The Coalition exists to provide for equity and adequacy of funding for public schools in the State of Ohio. The Coalition is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Coalition.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**7. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The Board members are composed of one superintendent from each County elected by the school districts within that County. The Coalition provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the Center and the Center does not maintain an equity interest in or a financial responsibility for the Coalition.

**E. Ohio Coalition for Children With Disabilities**

The Coalition exists to provide educational opportunities for special needs children being served in all schools in the State of Ohio. The Coalition is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Coalition.

**F. Regional Professional Development Center**

The Regional Professional Development Center (RPDC) is a not for profit organization designed to provide professional development services and products to school improvement and/or Title I buildings and to districts and buildings within the ODE designated region. The RPDC consists of eight counties subdivided into three sub-regions or consortia. The governing body of the RPDC, the Regional Governing Board, is responsible for assuring the integrity of professional development activities and maintaining the collaborative spirit and intent of the Center throughout the eight counties.

**8. INSURANCE PURCHASING POOL**

**Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan**

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

**9. CONTINGENCIES**

**A. Litigation**

The Center is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2002.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**9. CONTINGENCIES (Continued)**

**B. Grants**

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. 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, 2002.

**10. SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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



PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)

11. MISCELLANEOUS REVENUES

The revenue category "Miscellaneous Revenue" is comprised of several revenue sources. The following is a summary of those sources in the General Fund for the year ended June 30, 2002:

<b>Source</b>	<b>Amount</b>
Program Charges to Local Districts	\$285,758
Background Checks	9,260
Reimbursements	3,734
BWC Refund	277
Summer School Fees	21,575
Vending Machines	125
Copy Charges	338
<b>Total Miscellaneous Revenue</b>	<b>\$ 321,067</b>

**PERRY HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through Ohio Department of Education:</i>				
National School Lunch Program	10.555	LLP4-2002	\$ 13,714	\$ 13,714
Total United States Department of Education			13,714	13,714
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>				
<i>Passed Through State Department of Justice:</i>				
Enforcing Underage Laws Drinking Program	16.727	N/A	0	316
Total United States Department of Justice			0	316
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Adult Education: State Grant Program	84.002	ABS1-2002	59,684	59,262
	84.002	ABS1-2001	6,004	13,603
Total Adult Education: State Grant Program			65,688	72,865
Title I Grants to Local Educational Agencies	84.010	C1ST-2002-P	55,840	50,248
Special Education: Preschool Grants	84.173	PGS1-2002-P	24,685	23,105
Safe and Drug-Free Schools and Communities: State Grants	84.186	DR-S1	9,211	9,211
	84.186	DR-S1	16,459	31,230
Total Safe and Drug-Free Schools and Communities: State Grants			25,670	40,441
Goals 2000: State and Local Education Systematic Improvement Grants	84.276	G2U1-2001	35,000	7,897
	84.276	G2SP-2001	1,830	1,007
Total Goals 2000			36,830	8,904
Comprehensive School Reform Demonstration	84.332	FRS3-2001	5,200	2,105
Total United States Department of Education			213,913	197,668
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Perry County Jobs and Family Services:</i>				
Temporary Assistance for Needy Families	93.558	N/A	0	46,263
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program	93.778	N/A	144,946	144,946
Total United States Department of Health and Human Services			144,946	191,209
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$372,573</b>	<b>\$402,907</b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**PERRY HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – MEDICAL ASSISTANCE PROGRAM**

Medicaid monies (CFDA 93.778) are passed through the Ohio Department of Mental Retardation and Developmental Disabilities to the Educational Service Center.

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Athens Mall Suite B  
Athens, Ohio 45701  
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Facsimile 740-594-2110  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Perry-Hocking Educational Service Center  
Perry County  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Education:

We have audited the financial statements of the Perry-Hocking Educational Service Center, Perry County, Ohio (the Center), as of and for the year ended June 30, 2002, and have issued our report thereon dated October 28, 2002, which noted the Center prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). 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.

**Compliance**

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 grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-11064-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Center in a separate letter dated October 28, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Center in a separate letter dated October 28, 2002.

Perry-Hocking Educational Service Center  
Perry County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

**Jim Petro**  
Auditor of State

October 28, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Perry-Hocking Educational Service Center  
Perry County  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Education:

**Compliance**

We have audited the compliance of the Perry-Hocking Educational Service Center, Perry County, Ohio (the Center), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The Center's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**Jim Petro**  
Auditor of State

October 28, 2002



**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medicaid Assistance Program - CFDA # 93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2002  
(Continued)**

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

**Finding Number 2002-11064-001**

Ohio Admin. Code §117-2-03(B) requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles.

However, the Center prepared and filed its annual financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Center can be fined and various other legal administrative remedies may be taken against the Center.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the Center in a Fiscal Caution Status. This status requires the Center to submit a corrective action plan to the Department. The Auditor of State has reported this matter to the Ohio Department of Education.

We recommend the Center prepare its annual financial report in accordance with generally accepted accounting principles.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315(c)  
JUNE 30, 2002**

Finding Number	Finding Summary	Corrective Action Plan:
2002-11064-001	Ohio Admin. Code § 117-2-03(B) – Failure to file annual report on GAAP	The Center's management has taken steps to prepare financial statements in accordance with GAAP for the year ending June 30, 2003.

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-11064-001	Ohio Admin. Code § 117-2-03(B) – Failure to file annual report on GAAP	No	Not Corrected



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

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**PERRY-HOCKING EDUCATIONAL SERVICE CENTER**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 12, 2002**