

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**WOLFE, WILSON & PHILLIPS, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Elected Officials	(i)
Administrative Personnel	(ii)
Index of Funds	(iii)
Independent Auditors' Report	1
Combined Balance Sheet All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	4 - 5
Notes to the General Purpose Financial Statements	6 - 21
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22
Independent Auditors' Report on Compliance With Requirements Applicable To Each Major Program and Internal Control Over Compliance in In Accordance With OMB Circular A-133	23 - 24
Schedule of Findings and Questioned Costs	25
Schedule of Federal Award Expenditures	26
Notes to Schedule of Federal Award Expenditures	27

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

ELECTED OFFICIALS  
AS OF JUNE 30, 1999

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
Hugh Coffman	President	1/1/96 to 12/31/99	(A)
Larry Holdren	Vice President	1/1/98 to 12/31/01	(A)
D. Steve Cochran	Member	1/1/98 to 12/31/01	(A)
Gary Quimby	Member	1/1/98 to 12/31/01	(A)
Ralph Knowlton	Member	1/1/96 to 12/31/99	(A)

Entity Address

Educational Service Center  
Route #2, Box 1A  
Marietta, Ohio 45750

Statutory Legal Counsel

Michael G. Spahr, Prosecuting Attorney  
205 Putnam Street  
Marietta, OH 45750

(A) This elected official is not required to be covered by a surety bond.

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 1999

<u>TITLE/NAME</u>	<u>TERM OF OFFICE OR CONTRACT</u>	<u>SURETY</u>	<u>AMOUNT</u>
<u>Treasurer</u> Janine C. Satterfield	1/1/99 to Organizational Meeting 1/2003	(A)	\$20,000
<u>Superintendent</u> Patricia A. Foor	8/1/96 to 7/31/99	(B)	\$20,000

(A) Surety: Nationwide Mutual Insurance Company  
Term: January 1, 1997 to Organizational Meeting January 1999

(B) Surety: Nationwide Mutual Insurance Company  
Term: January 1, 1998 to July 31, 1999

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Funds:

General Fund  
Community Alternative Schooling Fund  
Special Rotary Funds

Special Revenue Fund Type:

Local Funds:

AMERITECH Grant Fund

State Funds:

State Film Grant Fund  
Pre-Service School Bus Driver Training Program Fund  
Training Ohio's Parents for Success Grant Fund  
Education Management Information System Fund  
Entry Year Program Fund  
Schoolnet Professional Development  
Jennings Public Forum Grant  
Parent Mentor Project Grant Fund  
Jobs for Ohio Graduates Grant Fund

Federal Funds:

Eisenhower Mathematics and Science Education Fund  
Preschool Disabilities Grant Fund  
Preschool Handicapped Grant Fund  
Learn and Serve America Grant Fund  
Learn and Serve Implementation Grant Fund  
S-T-W Camp Career Cluster Grant Fund  
Resource Sharing Grant Fund  
Kids on Campus Grant Fund  
GOALS 2000 Continuation Grant Fund  
GOALS 2000 Fund

Capital Projects Funds:

Telecommunications Fund

ACCOUNT GROUPS:

General Fixed Asset Account Group  
General Long-Term Obligations Account Group



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Board of Education  
Washington County Educational Service Center  
Marietta, Ohio 45750

We have reviewed the Independent Auditor's Report of the Washington County Educational Service Center, Washington County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period July 1, 1997 through June 30, 1999. 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 Washington County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO  
Auditor of State

March 27, 2000

**WOLFE, WILSON, & PHILLIPS, INC.**

**CERTIFIED PUBLIC ACCOUNTANTS**

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701

(740) 453-9600 • FAX - (740) 453-9763

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**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Washington County Educational Service Center  
Marietta, Ohio 45750

We have audited the accompanying general-purpose financial statements of the Washington County Educational Service Center as of and for the year ended June 30, 1999. These general-purpose financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Washington County Educational Service Center as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2000, on our consideration of Washington County Educational Service Center's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements of the Center, taken as a whole. The accompanying Schedule of Federal Awards 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, if fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Wolfe, Wilson & Phillips, Inc.*  
Zanesville, Ohio  
January 12, 2000

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Brad Wolfe, J.D., M.B.A., CPA  
Joseph W. Wilson, M.B.A., CPA, CMA  
Kenneth B. Phillips, CPA

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 771,459	\$ 405,676	\$ 11,871
Receivables:			
Accounts	3,045	35	-
Intergovernmental	74,443	25,356	-
Interfund Receivable	12,000	-	-
Materials and Supplies Inventory	2,991	10,480	-
Prepaid Items	4,814	47	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-
<u>Other Debits:</u>			
Amount to be provided from General Government Resources	-	-	-
 Total Assets and Other Debits	 <u>\$ 868,752</u>	 <u>\$ 441,594</u>	 <u>\$ 11,871</u>
 <u>Liabilities, Fund Equity, and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 18,245	\$ 34,608	\$ -
Accrued Wages and Benefits	128,592	4,756	-
Compensated Absences Payable	10,971	1,507	-
Intergovernmental Payable	148,298	8,658	-
Interfund Payable	-	12,000	-
Capital Lease Payable	-	-	-
 Total Liabilities	 <u>306,106</u>	 <u>61,529</u>	 <u>-</u>
 <u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	-	-	-
Fund Balance:			
Reserved for Encumbrances	155,089	149,439	-
Reserved for Inventory	2,991	10,480	-
Unreserved, Undesignated	<u>404,566</u>	<u>220,146</u>	<u>11,871</u>
 Total Fund Equity and Other Credits	 <u>562,646</u>	 <u>380,065</u>	 <u>11,871</u>
 Total Liabilities, Fund Equity and Other Credits	 <u>\$ 868,752</u>	 <u>\$ 441,594</u>	 <u>\$ 11,871</u>

General Fixed Assets	<u>Account Groups</u> General Long-Term Obligations	Totals (Memorandum Only)
\$ -	\$ -	\$ 1,189,006
-	-	3,080
-	-	99,799
-	-	12,000
-	-	13,471
-	-	4,861
447,828	-	447,828
-	42,317	42,317
<u>\$ 447,828</u>	<u>\$ 42,317</u>	<u>\$ 1,812,362</u>
-	-	52,853
-	-	133,348
-	27,136	39,614
-	8,540	165,496
-	-	12,000
-	6,641	6,641
-	42,317	409,952
447,828	-	447,828
-	-	304,528
-	-	13,471
-	-	636,583
447,828	-	1,402,410
<u>\$ 447,828</u>	<u>\$ 42,317</u>	<u>\$ 1,812,362</u>

See notes to financial statements.

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Governmental Fund Types</u>			Total
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Revenues:</b>				
Intergovernmental	\$ 1,275,799	\$ 1,221,587	\$ -	\$ 2,497,386
Interest	46,752	-	-	46,752
Tuition and Fees	36,654	-	-	36,654
Extracurricular Activities	3,863	-	-	3,863
Gifts and Donations	5,575	-	-	5,575
Customer Services	507,072	9,305	-	516,377
Miscellaneous	2,514	-	-	2,514
<b>Total Revenues</b>	<b><u>\$ 1,878,229</u></b>	<b><u>\$ 1,230,892</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,109,121</u></b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	\$ 93,858	-	-	93,858
Special	545,525	125,581	-	671,106
Vocational	5,719	8,936	-	14,655
Adult/Continuing	-	26,122	-	26,122
Support services:				
Pupils	266,601	5,127	-	271,728
Instructional Staff	512,784	380,532	440	893,756
Board of Education	10,464	-	-	10,464
Administration	76,487	3,115	-	79,602
Fiscal	50,917	7,316	-	58,233
Operation and Maintenance of Plant	41,892	-	-	41,892
Pupil Transportation	3,858	-	-	3,858
Central	68,096	65,573	-	133,669
Non-Instructional Services	3,648	-	-	3,648
Capital Outlay	9,566	-	-	9,566
Debt Service	3,240	-	-	3,240
Intergovernmental	-	535,158	-	535,158
<b>Total Expenditures</b>	<b><u>\$ 1,692,655</u></b>	<b><u>\$ 1,157,460</u></b>	<b><u>\$ (440)</u></b>	<b><u>\$ 2,850,555</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ 185,574</u></b>	<b><u>\$ 73,432</u></b>	<b><u>\$ (440)</u></b>	<b><u>\$ 258,566</u></b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	\$ 310	\$ -	\$ -	\$ 310
Other Financing Uses	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 310</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 310</u></b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>185,884</b>	<b>73,432</b>	<b>(440)</b>	<b>258,876</b>
<b>Fund Balances at Beginning of Year</b>	<b>376,499</b>	<b>308,476</b>	<b>12,311</b>	<b>421,876</b>
<b>Increase in Reserve for Inventory</b>	<b><u>263</u></b>	<b><u>(1,843)</u></b>	<b><u>-</u></b>	<b><u>(1,580)</u></b>
<b>Fund Balances at End of Year</b>	<b><u>\$ 562,646</u></b>	<b><u>\$ 380,065</u></b>	<b><u>\$ 11,871</u></b>	<b><u>\$ 954,582</u></b>

See notes to financial statements.

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 For the Fiscal Year Ended June 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental	\$ 1,261,251	\$ 1,262,834	\$ 1,583
Interest	48,000	48,264	264
Tuition and Fees	6,100	8,746	2,646
Extracurricular Activities	3,863	3,863	-
Gifts and Donations	5,575	5,575	-
Customer Services	<u>484,077</u>	<u>484,598</u>	<u>521</u>
<b>Total Revenues</b>	<u>1,808,866</u>	<u>1,813,880</u>	<u>5,014</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	\$ 103,760	\$ 103,611	\$ 149
Special	579,525	579,024	501
Vocational	9,124	9,124	-
Adult/Continuing	-	-	-
<b>Support Services:</b>			
Pupils	296,098	295,955	143
Instructional Staff	563,844	564,995	(1,151)
Board of Education	11,689	11,656	33
Administration	84,763	84,699	64
Fiscal	55,116	55,038	78
Operation and Maintenance of Plant	55,004	54,848	156
Pupil Transportation	5,252	5,245	7
Central	93,442	93,260	182
Non-Instructional Services	3,707	3,688	19
Capital Outlay	11,290	11,290	-
Intergovernmental	-	-	-
<b>Total Expenditures</b>	<u>\$ 1,872,614</u>	<u>\$ 1,872,433</u>	<u>\$ 181</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ (63,748)</u>	<u>\$ (58,553)</u>	<u>\$ 5,195</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	330	330	-
Advances In	-	-	-
Refund of Prior Year Receipt	-	-	-
Refund of Prior Year Expenditures	2,300	2,287	(13)
Advances Out	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(9,370)</u>	<u>(9,383)</u>	<u>(13)</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(73,118)</b>	<b>(67,936)</b>	<b>5,182</b>
Fund Balance at Beginning of Year	426,107	426,107	-
Prior Year Encumbrances Appropriated	<u>209,599</u>	<u>209,599</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<u>\$ 562,588</u>	<u>\$ 567,770</u>	<u>\$ 5,182</u>

Special Revenue Funds

Capital Projects Fund

<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 1,170,791	\$ 1,195,791	\$ 25,000	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,720	8,825	105	-	-	-
<u>1,179,511</u>	<u>1,204,616</u>	<u>25,105</u>	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
182,589	182,589	-	-	-	-
12,123	12,123	-	-	-	-
26,980	26,980	-	-	-	-
6,097	6,097	-	-	-	-
387,139	387,134	5	440	440	-
-	-	-	-	-	-
14,972	14,972	-	-	-	-
8,427	8,420	7	-	-	-
-	-	-	-	-	-
12,966	12,966	-	-	-	-
81,894	81,804	90	-	-	-
22,274	22,274	-	-	-	-
394	394	-	-	-	-
545,159	545,159	-	-	-	-
<u>\$ 1,301,014</u>	<u>\$ 1,300,912</u>	<u>\$ 102</u>	<u>\$ 440</u>	<u>\$ 440</u>	<u>\$ -</u>
(121,503)	(96,296)	25,207	(440)	(440)	-
-	-	-	-	-	-
12,000	12,000	-	-	-	-
(14,014)	(14,014)	-	-	-	-
2,107	2,107	-	-	-	-
-	-	-	-	-	-
<u>93</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(121,410)	(96,203)	25,207	(440)	(440)	-
261,946	261,946	-	12,311	12,311	-
52,318	52,318	-	-	-	-
<u>\$ 192,854</u>	<u>\$ 218,061</u>	<u>\$ 25,207</u>	<u>\$ 11,871</u>	<u>\$ 11,871</u>	<u>\$ -</u>

See notes to financial statements.

(Continued)

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 ALL GOVERNMENTAL FUND TYPES (Continued)  
 For the Fiscal Year Ended June 30, 1999**

	<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 2,432,042	\$ 2,458,625	\$ 26,583
Interest	48,000	48,264	264
Tuition and Fees	6,100	8,746	3,646
Extracurricular	3,863	3,863	-
Gifts and Donations	5,575	5,575	-
Customer Service	492,797	493,423	626
Total Revenues	<u>\$ 2,988,377</u>	<u>\$ 3,018,496</u>	<u>\$ 30,119</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	\$ 103,760	\$ 103,611	\$ 149
Special	762,114	761,613	501
Vocational	21,247	21,247	-
Adult/Continuing	26,980	26,980	-
Support Services:			
Pupils	302,195	302,052	143
Instructional Staff	951,423	952,569	(1,146)
Board of Education	11,689	11,656	33
Administration	99,735	99,671	64
Fiscal	63,543	63,458	85
Operation and Maintenance of Plant	55,004	54,848	156
Pupil Transportation	18,218	18,211	7
Central	175,336	175,064	272
Non-Instructional Services	25,981	25,962	19
Capital Outlay	11,684	11,684	-
Intergovernmental	545,159	545,159	-
Total Expenditures	<u>\$ 3,174,068</u>	<u>\$ 3,173,785</u>	<u>\$ 283</u>
Excess of Revenues Over (Under) Expenditures	<u>(185,691)</u>	<u>(155,289)</u>	<u>30,402</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	330	330	-
Advances In	12,000	12,000	-
Refund of Prior Year Receipt	(14,014)	(14,014)	-
Refund of Prior Year Expenditures	4,407	4,394	(13)
Advances Out	(12,000)	(12,000)	-
Total Other Financing Sources (Uses)	<u>\$ (9,277)</u>	<u>\$ (9,290)</u>	<u>\$ (13)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(194,968)	(164,579)	30,389
Fund Balances at Beginning of Year	700,364	700,364	-
Prior Year Encumbrances Appropriated	<u>261,917</u>	<u>261,917</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 767,313</u>	<u>\$ 797,702</u>	<u>\$ 30,389</u>

See notes to financial statements.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 1 – REPORTING ENTITY**

The Washington County Educational Service Center (the “Educational Service Center”) is located in Washington County, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative and other services to Belpre and Marietta City School Districts; Fort Frye, Frontier, Morgan, Warren, and Wolf Creek Local School Districts; and to the Washington County Joint Vocational School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Washington County Educational Service Center operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 29 support staff employees and 31 certified teaching personnel.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Educational Service Center are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Washington County Educational Service Center, this includes general operations and student related activities.

**B. Component Units**

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization’s governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The Educational Service Center is associated with the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Ohio School Boards Association Workers’ Compensation Group Rating Program, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 14 and 156.

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

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

**A. Basis of Presentation - Fund Accounting**

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

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**A. Basis of Presentation - Fund Accounting (Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the Educational Service Center are all grouped into the governmental generic fund type category.

*Governmental Fund Types:*

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

*General Fund* - The General Fund is the operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Educational Service 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 the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

*Capital Projects Fund* - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the Educational Service Center.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the Educational Service Center.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**B. Measurement Focus and Basis of Accounting (Continued)**

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Educational Service Center is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The Educational Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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.

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

**C. Budgetary Data**

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 Educational Service 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 Educational Service 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 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 Educational Service 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 Educational Service Center.

Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

*Appropriations:*

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service 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, or alter total function appropriations within a fund, or alter object appropriations within

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**C. Budgetary Data (Continued)**

functions, must be approved by the Educational Service Center. The Educational Service 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 non-GAAP 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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

*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 reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio, which is reported at fair value which is based on quoted market prices.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$46,752, which includes \$16,862 assigned from other Educational Service Center funds.

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. During the fiscal year, the Educational Service Center had no investments that met these criteria.

**E. Inventory**

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Washington County Educational Service Center, Ohio  
Notes to the General Purpose Financial Statements

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of \$250. The Educational Service Center does not possess any infrastructure.

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 capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Assets in the general fixed assets account group are not depreciated.

**H. Intergovernmental Revenues**

For 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.

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

*Entitlements*

*General Fund*

State Foundation Program

*Non-Reimbursable Grants*

*Special Revenue Funds*

Bus Driver Training Grant

Education Management Information Systems

Eisenhower Math and Science Grant

Entry Year Program Grant

Parent Mentor Project Grant

Preschool Disabilities Grant

Schoolnet Technology Training

State Film Grant

Learn and Serve America Grant

Goals 2000

Training Ohio Parents

Special Education Transition

JOGS Grant

School to Work Career Cluster Grant

Resource Sharing Grant

Kids on Campus Grant

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**Intergovernmental Revenues (Continued)**

*Reimbursable Grants*

*General Fund*

Community Alternative Funding System  
Drivers' Education  
Schoolnet Technology Training

Grants and entitlements amounted to approximately 80 percent of the Educational Service Center's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

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

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 Educational Service 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 Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after twenty-five years of current service with the Educational Service Center.

The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, claims and judgements, compensated absences, pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

**K. Fund Balance Reserves**

The Educational Service Center records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and materials and supplies inventory.

**L. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require 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.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**M. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

	<i>Excess of Revenue Over (Under) Expenditures and Other Financing Uses</i>		
	All Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ 185,884	\$ 73,432	\$ (440)
Net Adjustment for Revenue Accruals	(62,042)	(24,169)	0
Advances In	-	12,000	0
Net Adjustment for Expenditure Accruals	28,791	30,411	0
Advances Out	(12,000)	-	0
Encumbrances	<u>(208,569)</u>	<u>(187,877)</u>	<u>0</u>
Budget Basis	<u>\$ (67,936)</u>	<u>\$ (96,203)</u>	<u>\$ (440)</u>

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Washington County Educational Service Center, Ohio  
Notes to the General Purpose Financial Statements

**NOTE 4 – 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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*Deposits:* At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$376,714 and the bank balance was \$477,483. Of the bank balance, \$278,383 was covered by federal depository insurance and \$199,100 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 Educational Service Center held to a successful claim by the FDIC.

*Investments:* The Educational Service Center's investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service Center at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. The carrying value of STAR Ohio, \$812,291, is the same as the market value.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,189,006	\$ 0
Investment:		
STAR Ohio	(812,291)	812,291
GASB Statement 3	\$ 376,715	\$ 812,291

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 5 - STATE FUNDING**

The Educational Service 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 Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$29. This amount is provided from State resources.

If additional funding is needed for the Educational Service Center, and if a majority of the Boards of Education of the school districts served by the Educational Service 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 Educational Service 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 districts approve or disapprove the additional apportionment.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 1999, consisted of charges for services, excess costs, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. A summary of the principle items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund:	
Excess Costs	\$ 8,142
Transportation	25,218
CAFS	11,665
Bus Training	8,225
Drivers' Education	20,486
Other	<u>707</u>
Total General Fund	\$ 74,443
Special Revenue Fund:	
Goals 2000	\$ 19,000
School to Work	5,796
Pre-Service Training Fees	<u>560</u>
Total Special Revenue Fund	\$ <u>25,356</u>
Total	\$ <u>99,799</u>

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 7 - FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 1998 follows:

	Balance at <u>06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/99</u>
Land and Improvements	\$ 6,828	\$ -	\$ -	\$ 6,828
Furniture and Equipment	343,896	50,316	-	394,212
Vehicles	<u>46,788</u>	<u>-</u>	<u>-</u>	<u>46,788</u>
<b>Total</b>	<b><u>\$ 397,512</u></b>	<b><u>\$ 50,316</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 447,828</u></b>

**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the Educational Service Center contracted with Nationwide Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$ 152,200
Boiler and Machinery (\$1,000 deductible)	No Limit
Inland Marine (\$100 deductible)	147,371
Crime Insurance (\$250 deductible)	2,000
Automobile Liability (\$250 deductible)	500,000
Uninsured Motorists (\$250 deductible)	500,000
General Liability	
Per Occurrence	1,000,000
Total Aggregate	5,000,000

Settled claims have not exceeded coverage in any of the past three years.

**B. Workers' Compensation**

For fiscal year 1999, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Washington County Educational Service Center, Ohio  
Notes to the General Purpose Financial Statements**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the School 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$18,965, \$79,014, and \$83,329, respectively; nothing has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$48,105 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$19,495, \$26,326 and \$28,918, respectively; nothing has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$21,250 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

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, 1999, no members of the Board of Education have elected social security.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 10 - POST-EMPLOYMENT BENEFITS**

The Educational Service 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the Educational Service Center, this amount equaled \$25,286 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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, prorated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$24,490.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. *Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 135 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days.*

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource and Medical Life Insurance Company. The Educational Service Center has elected to provide employee prescription and medical/surgical benefits through Medical Mutual. The Board pays the cost of the monthly premiums for employees working more than 30 hours per week; pro-rated for employees working less than 30 hours per week. Dental insurance is provided by the Educational Service Center to most employees through CoreSource.

**NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE**

The Educational Service Center has entered into a capitalized lease for photo-copying equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reported as function expenditures on the budgetary statements.

Equipment acquired by lease has been capitalized in the general fixed assets account group in the amount of \$13,273, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1998 totaled \$2,383.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the net minimum lease payments:

	<u>Amount</u>
Fiscal Year 2000	\$ 3,240
Fiscal Year 2001	3,240
Fiscal Year 2002	<u>810</u>
Total	\$ 7,290
Less: Amount Representing Interest	<u>(649)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 6,641</u>

**NOTE 13 – LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 1999 were as follows:

	<u>Outstanding 06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/99</u>
Compensated Absences	\$ 16,578	\$ 34,516	\$ 23,958	\$ 27,136
Capital Lease Payable	9,225	-	2,584	6,641
Pension Obligation	<u>5,029</u>	<u>8,540</u>	<u>5,029</u>	<u>8,540</u>
Total Long-Term Obligations	<u>\$ 30,832</u>	<u>\$ 43,056</u>	<u>\$ 31,571</u>	<u>\$ 42,317</u>

Washington County Educational Service Center, Ohio  
Notes to the General Purpose Financial Statements

**NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)**

Compensated absences and the pension obligations will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*Southeastern Ohio Voluntary Education Consortium* – SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which 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.

*Washington County Joint Vocational School* - The Washington County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information, write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

**NOTE 15 - INSURANCE PURCHASING POOL**

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

**NOTE 16 – INTERFUND ACTIVITY**

As of June 30, 1999, the School to Work Special Revenue Fund owed the General Fund \$12,000.

**NOTE 17 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the Educational Service Center. During the fiscal year ended June 30, 1999, the Educational Service Center received \$1,227,304 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 18 – YEAR 2000**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Educational Service Center's operations as early as fiscal 1999.

The Educational Service Center uses the State of Ohio Uniform Accounting System software for its financial reporting, and payroll and employee benefits. The State is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the Educational Service Center in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Educational Service Center is or will be Year 2000 ready, that the Educational Service Center's remediation efforts will be successful in whole or in part, or that parties with whom the Educational Service Center does business will be Year 2000 ready.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 1999.

**B. Litigation**

*The Educational Service Center is currently not party to any litigation.*

# WOLFE, WILSON, & PHILLIPS, INC.

## CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701

(740) 453-9600 • FAX - (740) 453-9763

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Washington County Educational Service Center  
Marietta, Ohio 45750

We have audited the general-purpose financial statements of Washington County Education Service Center as of and for the year ended June 30, 1999, and have issued our report thereon dated January 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Washington County Educational Service Center's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of Washington County Educational Service Center in a separate letter dated January 12, 2000.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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.

This report is intended for the information of the Center's Board of Education, management, Auditor of State, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Wolfe, Wilson, & Phillips, Inc.*

Zanesville, Ohio  
January 12, 2000

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Brad Wolfe, J.D., M.B.A., CPA  
Joseph W. Wilson, M.B.A., CPA, CMA  
Kenneth B. Phillips, CPA

# WOLFE, WILSON, & PHILLIPS, INC.

## CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education

Washington County Educational Service Center

Marietta, Ohio 45750

#### Compliance

We have audited the compliance of Washington County Educational Service Center with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Washington County Educational Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington County Educational Service Center management. Our responsibility is to express an opinion on Washington County Educational Service Center's compliance based on our audit.

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

In our opinion, the Washington County Educational Service 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, 1999.

#### Internal Control Over Compliance

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

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

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

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Brad Wolfe, J.D., M.B.A., CPA

Joseph W. Wilson, M.B.A., CPA, CMA

Kenneth B. Phillips, CPA

Report on Compliance with Requirements  
Page Two (2)

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

*Wolfe, Wilson, + Phillips, Inc.*

Zanesville, Ohio  
January 12, 2000

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 WASHINGTON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 SECTION 505

**1. Summary of Auditor's Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section. 510?	NO
(d)(1)(vii)	Major Programs:	Goals 2000, CFDA #84.298
(d)(1)(viii) Others	Dollar Threshold: Type A\B Programs:	Type A: > \$300,000; Type B: All
(d)(1)(ix)	Low Risk Auditee?	NO

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

NONE

**3. Findings and Questioned Costs for Federal Awards**

NONE

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>Grant</u>	<u>Pass-Through Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Education:</u> (Passed through State Department of Education)				
Handicapped Preschool V1-B	050476PGS199P 050476PGS198P	84.173	\$ 19,709 - <u>19,709</u>	\$ 15,951 <u>5,772</u> <u>21,723</u>
Goals 2000	050476G25397C 050476G25399P	84.276	(2,020) <u>30,000</u> <u>27,980</u>	156,591 <u>21,646</u> <u>178,237</u>
Eisenhower	050476MSS197C 050476MSS198C 050476MSS199	84.281	(199) - <u>17,633</u> <u>17,434</u>	9,136 <u>9,313</u> <u>-</u> <u>18,449</u>
Total U.S. Department of Education			<u>65,123</u>	<u>218,409</u>
<u>U.S. Department of Labor:</u> (Passed through State Department of Labor)				
School to Work	050476WKOEO0	17.246	<u>2,225</u>	<u>7,717</u>
Total U. S. Department of Labor			<u>2,225</u>	<u>7,717</u>
<u>U.S. Department of Health and Human Services:</u> (Passed through State Department of Human Services)				
Temporary Assistance for Needy Families (TANF)		93.558	<u>225,000</u>	<u>616</u>
Total U.S. Department of Health and Human Services			<u>225,000</u>	<u>616</u>
<u>Corporation for National and Community Service:</u>				
Learn and Serve America	050476SVS298	94.004	- <u>10,240</u> <u>10,240</u>	327 <u>6,295</u> <u>6,622</u>
Total Corporation for National and Community Service			<u>10,240</u>	<u>6,622</u>
<u>National Endowment for the Humanities:</u> (Passed through the State Library of Ohio)				
Library Service Technology Act	IIF98	45.310	<u>123,339</u>	<u>111,687</u>
Total National Endowment for the Humanities			<u>123,339</u>	<u>111,687</u>
Total Federal Financial Assistance			<u>\$ 425,927</u>	<u>\$ 345,051</u>

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the State Grants. It is assumed that federal monies are expended first.

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Elected Officials	(i)
Administrative Personnel	(ii)
Index of Funds	(iii)
Independent Auditors' Report	1
Combined Balance Sheet All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	4 - 5
Notes to the General Purpose Financial Statements	6 - 21
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

ELECTED OFFICIALS  
AS OF JUNE 30, 1998

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
Gary Quimby	President	1/1/98 to 12/31/01	(A)
Hugh Coffman	Vice President	1/1/96 to 12/31/99	(A)
D. Steve Cochran	Member	1/1/98 to 12/31/01	(A)
Larry Holdren	Member	1/1/98 to 12/31/01	(A)
Ralph Knowlton	Member	1/1/96 to 12/31/99	(A)

Entity Address

Educational Service Center  
Route #2, Box 1A  
Marietta, Ohio 45750

Statutory Legal Counsel

Michael G. Spahr, Prosecuting Attorney  
205 Putnam Street  
Marietta, OH 45750

(A) This elected official is not required to be covered by a surety bond.

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 1998

<u>TITLE/NAME</u>	<u>TERM OF OFFICE OR CONTRACT</u>	<u>SURETY</u>	<u>AMOUNT</u>
<u>Treasurer</u> Janine C. Satterfield	1/1/97 to Organizational Meeting 1/1999	(A)	\$20,000
<u>Superintendent</u> Patricia A. Foor	8/1/96 to 7/31/99	(B)	\$20,000

(A) Surety: Nationwide Mutual Insurance Company  
Term: January 1, 1997 to Organizational Meeting January 1999

(B) Surety: Nationwide Mutual Insurance Company  
Term: January 1, 1998 to July 31, 1999

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Funds:

General Fund  
Community Alternative Schooling Fund  
Special Rotary Funds

Special Revenue Fund Type:

Local Funds:

AMERITECH Grant Fund

State Funds:

State Film Grant Fund  
Pre-Service School Bus Driver Training Program Fund  
Training Ohio's Parents for Success Grant Fund  
Education Management Information System Fund  
Entry Year Program Fund  
Schoolnet Professional Development  
Jennings Public Forum Grant  
Parent Mentor Project Grant Fund

Federal Funds:

Eisenhower Mathematics and Science Education Fund  
Preschool Disabilities Grant Fund  
Learn and Serve America Grant Fund  
GOALS 2000 Fund

Capital Projects Funds:

Telecommunications Fund

ACCOUNT GROUPS:

General Fixed Asset Account Group  
General Long-Term Obligations Account Group

**WOLFE, WILSON, & PHILLIPS, INC.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Washington County Educational Service Center  
Marietta, Ohio 45750

We have audited the accompanying general-purpose financial statements of the Washington County Educational Service Center as of and for the year ended June 30, 1998. These general-purpose financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Washington County Educational Service Center as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2000, on our consideration of Washington County Educational Service Center's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants.

*Wolfe, Wilson, & Phillips, Inc.*

Zanesville, Ohio  
January 12, 2000

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Brad Wolfe, J.D., M.B.A., CPA  
Joseph W. Wilson, M.B.A., CPA, CMA  
Kenneth B. Phillips, CPA

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 1998

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 635,706	\$ 314,265	\$ 12,311
Receivables:			
Accounts	93	-	-
Intergovernmental	81,342	1,222	-
Accrued Interest	1,512	-	-
Materials and Supplies Inventory	2,728	12,323	-
Prepaid Items	4,055	112	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-
 <u>Other Debits:</u>			
Amount to be provided from General Government Resources	-	-	-
 Total Assets and Other Debits	<u>\$ 725,436</u>	<u>\$ 327,922</u>	<u>\$ 12,311</u>
 <u>Liabilities, Fund Equity, and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 20,648	\$ 4,224	\$ -
Accrued Wages and Benefits	112,048	5,412	-
Compensated Absences Payable	11,193	1,054	-
Intergovernmental Payable	137,382	8,756	-
Deferred Revenue	67,666	-	-
Capital Lease Payable	-	-	-
 Total Liabilities	<u>348,937</u>	<u>19,446</u>	<u>-</u>
 <u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	-	-	-
Fund Balance:			
Reserved for Encumbrances	56,203	39,615	-
Reserved for Inventory	2,728	12,323	-
Unreserved, Undesignated	317,568	256,538	12,311
 Total Fund Equity and Other Credits	<u>376,499</u>	<u>308,476</u>	<u>12,311</u>
 Total Liabilities, Fund Equity and Other Credits	<u>\$ 725,436</u>	<u>\$ 327,922</u>	<u>\$ 12,311</u>

General Fixed Assets	Account Groups		Totals (Memorandum Only)
	General	Long-Term Obligations	
\$ -	\$ -	\$ -	962,282
-	-	-	93
-	-	-	82,564
-	-	-	1,512
-	-	-	15,051
-	-	-	4,167
397,512	-	-	397,512
-	30,832	-	30,832
<u>\$ 397,512</u>	<u>\$ 30,832</u>	<u>\$ -</u>	<u>\$ 1,494,013</u>
-	-	-	24,872
-	-	-	117,460
-	16,578	-	28,825
-	5,029	-	151,167
-	-	-	67,666
-	9,225	-	9,225
-	30,832	-	399,215
397,512	-	-	397,512
-	-	-	95,818
-	-	-	15,051
-	-	-	586,417
<u>397,512</u>	<u>-</u>	<u>-</u>	<u>1,094,798</u>
<u>\$ 397,512</u>	<u>\$ 30,832</u>	<u>\$ -</u>	<u>\$ 1,494,013</u>

See notes to financial statements.

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**For the Fiscal Year Ended June 30, 1998**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues:</b>				
Intergovernmental	\$ 1,186,830	\$ 461,266	\$ -	\$ 1,648,096
Interest	33,853	-	-	33,853
Tuition and Fees	9,761	-	-	9,761
Gifts and Donations	350	-	-	350
Customer Services	457,886	8,522	-	466,408
Miscellaneous	14,049	-	-	14,049
Total Revenues	\$ 1,702,729	\$ 469,788	\$ -	\$ 2,172,517
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	\$ 95,606	-	-	95,606
Special	470,512	7,907	-	478,419
Vocational	9,582	-	-	9,582
Adult/Continuing	-	8,820	-	8,820
Support services:				
Pupils	260,681	1,572	-	262,253
Instructional Staff	466,968	174,098	4	641,070
Board of Education	11,833	-	-	11,833
Administration	73,421	628	-	74,049
Fiscal	60,250	1,168	-	61,418
Operation and Maintenance of Plant	46,351	-	-	46,351
Pupil Transportation	3,182	-	-	3,182
Central	62,427	62,984	-	125,411
Non-Instructional Services	4,238	-	-	4,238
Capital Outlay	4,575	-	-	4,575
Debt Service	3,240	-	-	3,240
Total Expenditures	\$ 1,572,866	\$ 257,177	\$ 4	\$ 1,830,047
Excess of Revenues Over (Under) Expenditures	\$ 129,863	\$ 212,611	\$ (4)	\$ 342,470
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	\$ 148	\$ -	\$ -	\$ 148
Other Financing Uses	-	77,012	-	77,012
Total Other Financing Sources (Uses)	\$ 148	\$ (77,012)	\$ -	\$ (76,864)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	130,011	135,599	(4)	265,606
Fund Balances at Beginning of Year	245,967	163,594	12,315	421,876
Increase in Reserve for Inventory	521	9,283	-	9,804
Fund Balances at End of Year	\$ 376,499	\$ 308,476	\$ 12,311	\$ 697,286

See notes to financial statements.

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 For the Fiscal Year Ended June 30, 1998

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental	\$ 1,190,888	\$ 1,191,510	\$ 622
Interest	32,300	32,341	41
Tuition and fees	9,775	9,761	(14)
Gifts and Donations	300	350	50
Customer Services	449,977	450,007	30
<b>Total Revenues</b>	<u>1,683,240</u>	<u>1,683,969</u>	<u>729</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	\$ 103,626	\$ 103,449	\$ 177
Special	512,444	512,320	124
Vocational	12,543	12,543	-
Adult/Continuing	-	-	-
<b>Support Services:</b>			
Pupils	278,743	278,680	63
Instructional Staff	520,666	520,477	189
Board of Education	12,538	12,529	9
Administration	77,943	77,877	66
Fiscal	64,061	63,944	117
Operation and Maintenance of Plant	55,630	55,441	189
Pupil Transportation	8,189	8,180	9
Central	91,901	91,760	141
Non-Instructional Services	4,317	4,268	49
Capital Outlay	9,575	9,575	-
<b>Total Expenditures</b>	<u>\$ 1,752,176</u>	<u>\$ 1,751,043</u>	<u>\$ 1,133</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (68,936)</u>	<u>\$ (67,074)</u>	<u>\$ 1,862</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	125	128	3
Refund of Prior Year Receipt	(3,430)	(3,430)	-
Refund of Prior Year Expenditures	14,000	14,049	49
Other Financing Uses	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>10,695</u>	<u>10,747</u>	<u>52</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(58,241)	(56,327)	1,914
Fund Balance at Beginning of Year	325,571	325,571	-
Prior Year Encumbrances Appropriated	<u>156,863</u>	<u>156,863</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 424,193</u>	<u>\$ 426,107</u>	<u>\$ 1,914</u>

Special Revenue Funds			Capital Projects Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 460,153	\$ 460,159	\$ 6	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
9,030	9,037	7	-	-	-
<u>469,183</u>	<u>469,196</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
8,026	8,026	-	-	-	-
-	-	-	-	-	-
9,162	9,162	-	-	-	-
1,572	1,572	-	-	-	-
220,301	220,301	-	4	4	-
-	-	-	-	-	-
778	778	-	-	-	-
1,528	1,528	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
69,928	69,858	70	-	-	-
-	-	-	-	-	-
<u>311,295</u>	<u>311,225</u>	<u>70</u>	<u>4</u>	<u>4</u>	<u>-</u>
<u>157,888</u>	<u>157,971</u>	<u>83</u>	<u>(4)</u>	<u>(4)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(77,012)	(77,012)	-	-	-	-
<u>(77,012)</u>	<u>(77,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
80,876	80,959	83	(4)	(4)	-
146,711	146,711	-	12,315	12,315	-
34,276	34,276	-	-	-	-
<u>\$ 261,863</u>	<u>\$ 261,946</u>	<u>\$ 83</u>	<u>\$ 12,311</u>	<u>\$ 12,311</u>	<u>\$ -</u>

(Continued)

See notes to financial statements.

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**ALL GOVERNMENTAL FUND TYPES (Continued)**  
**For the Fiscal Year Ended June 30, 1998**

		<u>Totals (Memorandum Only)</u>		
	<u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	
<b>Revenues:</b>				
Intergovernmental	-\$ 1,651,041	\$ 1,651,669	\$ 628	
Interest	32,300	32,341	41	
Tuition and Fees	9,775	9,761	(14)	
Gifts and Donations	300	350	50	
Customer Service	459,007	459,044	37	
Total Revenues	\$ 2,152,423	\$ 2,153,165	\$ 742	
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	103,626	103,449	177	
Special	520,470	520,346	124	
Vocational	12,543	12,543	-	
Adult/Continuing	9,162	9,162	-	
<b>Support Services:</b>				
Pupils	280,315	280,252	63	
Instructional Staff	740,971	740,782	189	
Board of Education	12,538	12,529	8	
Administration	78,721	78,655	66	
Fiscal	65,589	65,472	117	
Operation and Maintenance of Plant	55,630	55,441	189	
Pupil Transportation	8,189	8,180	9	
Central	161,829	161,618	211	
Non-Instructional Services	4,317	4,268	49	
Capital Outlay	9,575	9,575	-	
Total Expenditures	\$ 2,063,475	\$ 2,062,272	\$ 1,203	
Excess of Revenues Over (Under) Expenditures	88,948	90,893	1,945	
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	125	128	3	
Refund of Prior Year Receipt	(3,430)	(3,430)	-	
Refund of Prior Year Expenditures	14,000	14,049	49	
Other Financing Uses	(77,012)	(77,012)	-	
Total Other Financing Sources (Uses)	\$ (66,317)	\$ (66,265)	\$ 52	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	22,631	24,628	1,997	
Fund Balances at Beginning of Year	484,597	484,597	-	
Prior Year Encumbrances Appropriated	191,139	191,139	-	
Fund Balances at End of Year	\$ 698,367	\$ 700,364	\$ 1,997	

See notes to financial statements.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 1 – REPORTING ENTITY**

The Washington County Educational Service Center (the “Educational Service Center”) is located in Washington County, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative and other services to Belpre and Marietta City School Districts; Fort Frye, Frontier, Morgan, Warren, and Wolf Creek Local School Districts; and to the Washington County Joint Vocational School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Washington County Educational Service Center operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 28 support staff employees and 31 certified teaching personnel.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Educational Service Center are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Washington County Educational Service Center, this includes general operations and student related activities.

**B. Component Units**

Component units are legally separate organizations for which the Educational Service Center is financially accountable. *The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization’s governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization.*

Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The Educational Service Center is associated with the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Ohio School Boards Association Workers’ Compensation Group Rating Program, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 15 and 16.

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

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

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation - Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the Educational Service Center are all grouped into the governmental generic fund type category.

*Governmental Fund Types:*

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

*General Fund* - The General Fund is the operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Educational Service 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 the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

*Capital Projects Fund* - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the Educational Service Center.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the Educational Service Center.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Educational Service Center is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The Educational Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period.

In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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.

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

**C. Budgetary Data**

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 Educational Service 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 Educational Service 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 accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**C. Budgetary Data (Continued)**

In the first quarter of each fiscal year, the Educational Service 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 Educational Service Center.

Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

*Appropriations:*

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service 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, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Educational Service Center. The Educational Service 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 non-GAAP 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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

*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 reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 1998, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio, which are reported at fair value which is based on quoted market prices.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**D. Cash and Cash Equivalents (Continued)**

State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1998 amounted to \$32,241, which includes \$22,207 assigned from other Educational Service Center funds.

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. During the fiscal year, the Educational Service Center had no investments that met these criteria.

**E. Inventory**

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of \$250. The Educational Service Center does not possess any infrastructure.

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 capitalized. Improvements are capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Assets in the general fixed assets account group are not depreciated.

**H. Intergovernmental Revenues**

For 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.

Washington County Educational Service Center, Ohio  
Notes to the General Purpose Financial Statements

H. Intergovernmental Revenues (Continued)

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

*Entitlements*

*General Fund*

State Foundation Program

*Non-Reimbursable Grants*

*Special Revenue Funds*

Bus Driver Training Grant  
Education Management Information Systems  
Eisenhower Math and Science Grant  
Entry Year Program Grant  
Parent Mentor Project Grant  
Preschool Disabilities Grant  
Schoolnet Technology Training  
State Film Grant  
Learn and Serve America Grant  
Goals 2000

*Reimbursable Grants*

*General Fund*

Community Alternative Funding System  
Drivers' Education  
Schoolnet Technology Training

Grants and entitlements amounted to approximately 76 percent of the Educational Service Center's operating revenue during the 1998 fiscal year.

I. Compensated Absences

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

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 Educational Service 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 Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after twenty-five years of current service with the Educational Service Center.

The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless whether they will be liquidated with current resources. However, claims and judgements, compensated absences, pension obligations, and special termination benefits what will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

**K. Fund Balance Reserves**

The Educational Service Center records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and materials and supplies inventory.

**L. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENTS**

For fiscal year 1998, the Educational Service Center has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. The adoption of this statement required no change from prior years.

The general fixed assets account group increased from \$465,190 to \$473,123 as of July 1, 1997, due to the restatement of the fixed assets.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	Excess of Revenue Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ 130,011	\$ 135,599	\$ (4)
Net Adjustment for Revenue Accruals	(4,731)	(592)	0
Net Adjustment for Expenditure Accruals	28,017	(1,911)	0
Encumbrances	<u>(209,624)</u>	<u>(52,137)</u>	<u>0</u>
Budget Basis	<u>\$ (56,327)</u>	<u>\$ 80,959</u>	<u>\$ (\$4)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies 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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*Deposits:* At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$626,340 and the bank balance was \$686,224. Of the bank balance, \$320,423 was covered by federal depository insurance and \$365,801 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 Educational Service Center held to a successful claim by the FDIC.

*Investments:* The Educational Service Center's investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service Center at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. The carrying value of STAR Ohio, \$335,942, is the same as the market value.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 962,282	\$ 0
Investment:		
STAR Ohio	<u>(335,942)</u>	<u>335,942</u>
GASB Statement 3	<u>\$ 626,340</u>	<u>\$ 335,942</u>

**NOTE 6 - STATE FUNDING**

The Educational Service 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 Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program.

The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$29. This amount is provided from State resources.

If additional funding is needed for the Educational Service Center, and if a majority of the Boards of Education of the school districts served by the Educational Service 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 Educational Service 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 districts approve or disapprove the additional apportionment.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1998, consisted of charges for services, excess costs, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. A summary of the principle items of intergovernmental receivables follows:

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 7 - RECEIVABLES (CONTINUED)**

	<u>Amount</u>
General Fund:	
Excess Costs	\$ 36,842
Transportation	30,824
Bus Training	8,225
Drivers' Education	2,950
Other	2,501
Total General Fund	\$ 81,342
Special Revenue Funds:	
Pre-service Training Fees	\$ 1,222
Total	\$ 82,564

**NOTE 8 - FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 1998 follows:

	<u>Balance at</u> <u>06/30/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>06/30/98</u>
Land and Improvements	\$ 6,828	\$ -	\$ -	\$ 6,828
Furniture and Equipment	319,382	30,488	5,974	343,896
Vehicles	146,913	2,835	102,960	46,788
Total	\$ 473,123	\$ 33,323	\$ 108,934	\$ 397,512

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1998, the Educational Service Center contracted with Nationwide Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 144,600
Boiler and Machinery (\$1,000 deductible)	No Limit
Inland Marine (\$100 deductible)	106,864
Crime Insurance (\$250 deductible)	2,000
Automobile Liability (\$250 deductible)	500,000
Uninsured Motorists (\$250 deductible)	500,000
General Liability	
Per Occurrence	1,000,000
Total Aggregate	5,000,000

Settled claims have not exceeded coverage in any of the past three years.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**B. Workers' Compensation**

For fiscal year 1998, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the School 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's contributions for pension obligations to STRS for the fiscal years ended up to statutory maximum amounts, by the STRS Retirement Board. The Educational Service Center's contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$79,014, \$83,329, and \$71,854, respectively; nothing has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. \$78,118 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll.

For fiscal year 1998, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**B. School Employees Retirement System (Continued)**

The Educational Service Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$26,326, \$28,918, and \$30,379, respectively; nothing has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996. \$25,716 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

**C. Social Security System**

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, 1998, no members of the Board of Education have elected social security.

**NOTE 11 - POST-EMPLOYMENT BENEFITS**

The Educational Service 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.

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the Educational Service Center, this amount equaled \$26,338 during 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 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.

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. 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 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997 SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the Educational Service Center, the amount to fund health care benefits, including the surcharge, equaled \$16,350 during the 1998 fiscal year.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 135 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days.

**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource and Medical Life Insurance Company. The Educational Service Center has elected to provide employee prescription and medical/surgical benefits through Medical Mutual. The Board pays the cost of the monthly premiums for employees working more than 30 hours per week; pro-rated for employees working less than 30 hours per week. Dental insurance is provided by the Educational Service Center to most employees through CoreSource.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

The Educational Service Center has entered into a capitalized lease for photo-copying equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reported as function expenditures on the budgetary statements.

Equipment acquired by lease has been capitalized in the general fixed assets account group in the amount of \$13,273, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1998 totaled \$2,383.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the net minimum lease payments:

	<u>Amount</u>
Fiscal Year 1999	\$ 3,240
Fiscal Year 2000	3,240
Fiscal Year 2001	3,240
Fiscal Year 2002	810
Total	\$ 10,530
Less: Amount Representing Interest	(1,305)
Present Value of Net Minimum Lease Payments	\$ 9,225

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 1998 were as follows:

	<u>Outstanding</u> <u>06/30/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/98</u>
Compensated Absences	\$ 11,333	\$ 29,159	\$ 23,914	\$ 16,578
Capital Lease Payable	11,608	0	2,383	9,225
Pension Obligation	<u>3,081</u>	<u>5,029</u>	<u>3,081</u>	<u>5,029</u>
Total Long-Term Obligations	<u>\$ 26,022</u>	<u>\$ 34,188</u>	<u>\$ 29,378</u>	<u>\$ 30,832</u>

Compensated absences and the pension obligations will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Southeastern Ohio Voluntary Education Consortium - SEOVEC* was created as a regional council of governments pursuant to State statutes. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which 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.

*Washington County Joint Vocational School* - The Washington County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information, write to the Washington County Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

**NOTE 16 - INSURANCE PURCHASING POOL**

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

**NOTE 17 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the Educational Service Center. During the fiscal year ended June 30, 1998, the Educational Service Center received \$1,108,708 of school foundation support for its General Fund.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**

**NOTE 17 - STATE SCHOOL FUNDING DECISION (CONTINUED)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 18 - YEAR 2000**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Educational Service Center's operations.

As of January 12, 2000 Washington County Educational Service Center has inventoried its mission-critical computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the Center's operations. Based on this inventory, the Center determined that no further remediation or system testing was required.

To the best of management's knowledge and belief, as of January 12, 2000, the Center experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise and parties with whom the Center does business may also experience Year 2000 readiness issues that are as yet unknown.

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 1998.

**B. Litigation**

The Educational Service Center is currently not party to any litigation.

# WOLFE, WILSON, & PHILLIPS, INC.

## CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Washington County Educational Service Center  
Marietta, Ohio 45750

We have audited the general-purpose financial statements of Washington County Education Service Center as of and for the year ended June 30, 1998, and have issued our report thereon dated January 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Washington County Educational Service Center's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of Washington County Educational Service Center in a separate letter dated January 12, 2000.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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.

This report is intended for the information of the Center's Board of Education, management, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

*Wolfe, Wilson, & Phillips, Inc.*  
Zanesville, Ohio  
January 12, 2000

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Brad Wolfe, J.D., M.B.A., CPA  
Joseph W. Wilson, M.B.A., CPA, CMA  
Kenneth B. Phillips, CPA



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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**EDUCATIONAL SERVICE CENTER**

**WASHINGTON 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.**

By: Susan Babbitt

Date: APRIL 11, 2000