

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**

**ANNUAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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Board of Education  
Washington County Educational Service Center  
Route 2, Box 1A  
Marietta, Ohio 45750

We have reviewed the independent auditor's report of the Washington County Educational Service Center, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO  
Auditor of State

December 28, 2001

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**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY**

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WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

ELECTED OFFICIALS  
AS OF JUNE 30, 2001

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
D. Steve Cochran	President	1/1/98 to 12/31/01	(A)
Gary Quimby	Vice President	1/1/98 to 12/31/01	(A)
Hugh Coffman	Member	1/1/00 to 12/31/03	(A)
Larry Holdren	Member	1/1/98 to 12/31/01	(A)
Patrick Lang	Member	1/1/00 to 12/31/03	(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, 2001

<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> Roger L. Bartunek	8/1/99 to 7/31/02	(B)	\$20,000

(A) Surety: Nationwide Mutual Insurance Company  
Term: January 13, 1999 to Organizational Meeting January 2003

(B) Surety: Nationwide Mutual Insurance Company  
Term: January 1, 2001 to January 31, 2004

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER

INDEX OF FUNDS

**GOVERNMENTAL FUND TYPES:**

**General Funds:**

General Fund

**Special Revenue Fund Type:**

**Local Funds:**

AMERITECH Grant Fund

**State Funds:**

State Media Grant Fund  
Teacher Development 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  
Special Education Transition Fund  
Alternative School Grant Fund  
BCII Equipment Fund  
Parent Mentor Project Grant Fund  
Ohio EPA Grant Fund

**Federal Funds:**

Eisenhower Mathematics and Science Education Fund  
Preschool Disabilities Grant Fund  
Technical Assistance 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  
Good Conduct/ Good Effort  
GOALS 2000 Continuation Grant Fund  
GOALS 2000 Fund

**Capital Projects Funds:**

Telecommunications Fund

**Proprietary Fund Types**

**Enterprise Funds**

Driver Education Fund

**Trust and Agency Fund Types**

Martha Holden Jennings Fund

**ACCOUNT GROUPS:**

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



**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**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, 2001. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, 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, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was 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  
December 12, 2001

WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 2001

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
<b><u>Assets and Other Debits:</u></b>			
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 963,112	\$ 743,885	\$ 11,852
Receivables:			
Accounts	-	-	-
Intergovernmental	39,161	159,925	-
Accrued Interest	-	-	-
Interfund receivable	129,000	-	-
Due From Other Funds	99	-	-
Materials and Supplies Inventory	-	25,920	-
Prepaid Items	9,254	426	-
Fixed Assets ( Net, where applicable) of Accumulated Depreciation)	-	-	-
<b><u>Other Debits:</u></b>			
Amount to be provided from General Government Resources	-	-	-
<b>Total Assets and Other Debits</b>	<b><u>\$ 1,140,626</u></b>	<b><u>\$ 930,156</u></b>	<b><u>\$ 11,852</u></b>
<b><u>Liabilities, Fund Equity, and Other Credits:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$ 28,627	\$ 73,157	\$ -
Accrued Wages and Benefits	180,307	25,110	-
Compensated Absences Payable	12,242	1,779	-
Intergovernmental Payables	169,772	56,782	-
Interfund Payable	-	129,000	-
Due to Other Funds	-	99	-
Deferred Revenue	9,478	139,475	-
Due to Students	-	-	-
Capital Leases Payable	-	-	-
<b>Total Liabilities</b>	<b><u>400,426</u></b>	<b><u>425,402</u></b>	<b><u>-</u></b>
<b><u>Fund Equity and Other Credits:</u></b>			
Investment in General Fixed Assets	-	-	-
Contributed Capital	-	-	-
Retained Earnings (Unreserved)	-	-	-
Fund Balance:			
Reserved for Encumbrances	42,238	302,099	-
Reserved for inventory	-	25,920	-
Unreserved, Undesignated	697,962	176,735	11,852
<b>Total Fund Equity and Other Credits</b>	<b><u>740,200</u></b>	<b><u>504,754</u></b>	<b><u>11,852</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$ 1,140,626</u></b>	<b><u>\$ 930,156</u></b>	<b><u>\$ 11,852</u></b>

Proprietary Fund Type	Account Groups			Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	General Long Term Debt	
Enterprise				
\$ 17,839	\$ 15	\$ -	\$ -	\$ 1,736,703
-	-	-	-	-
-	-	-	-	199,086
-	-	-	-	-
-	-	-	-	129,000
-	-	-	-	99
-	-	-	-	25,920
1,203	-	-	-	10,883
-	-	509,595	-	509,595
-	-	-	47,609	47,609
<u>\$ 19,042</u>	<u>\$ 15</u>	<u>\$ 509,595</u>	<u>\$ 47,609</u>	<u>\$ 2,658,895</u>
\$ 337	\$ -	\$ -	\$ -	\$ 102,121
253	-	-	-	205,670
395	-	-	40,507	54,923
4,580	-	-	6,303	237,437
-	-	-	-	129,000
-	-	-	-	99
-	-	-	-	148,953
-	15	-	-	15
-	-	-	799	799
<u>5,565</u>	<u>15</u>	<u>-</u>	<u>47,609</u>	<u>879,017</u>
-	-	509,595	-	509,595
19,060	-	-	-	19,060
(5,583)	-	-	-	(5,583)
-	-	-	-	344,337
-	-	-	-	25,920
-	-	-	-	886,549
<u>13,477</u>	<u>-</u>	<u>509,595</u>	<u>-</u>	<u>1,779,878</u>
<u>\$ 19,042</u>	<u>\$ 15</u>	<u>\$ 509,595</u>	<u>\$ 47,609</u>	<u>2,658,895</u>

See notes to financial statements.

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**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 ALL GOVERNMENTAL FUND TYPES  
 For the Fiscal Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Revenues:</b>				
Intergovernmental	\$ 1,453,859	\$ 1,472,112	\$ -	\$ 2,925,971
Interest	82,342	-	-	82,342
Tuition and Fees	12,967	-	-	12,967
Extracurricular Activities	7,290	-	-	7,290
Gifts and Donations	11,620	6,800	-	18,420
Customer Services	513,905	6,880	-	520,785
Miscellaneous	8,512	-	-	8,512
<b>Total Revenues</b>	<b>\$ 2,090,495</b>	<b>\$ 1,485,792</b>	<b>\$ -</b>	<b>\$ 3,576,287</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	\$ 47,448	\$ 159,921	\$ -	\$ 207,369
Special	674,233	310,072	-	984,305
Adult/Continuing	-	31,087	-	31,087
<b>Support Services:</b>				
Pupils	285,326	96,317	-	381,643
Instructional Staff	569,920	174,018	19	743,957
Board of Education	11,872	-	-	11,872
Administration	73,039	55,490	-	128,529
Fiscal	76,520	1,297	-	77,817
Operation and Maintenance of Plant	52,646	5,508	-	58,154
Pupil Transportation	11,203	21,993	-	33,196
Central	82,684	85,790	-	168,474
Non-Instructional Services	5,727	25,995	-	31,722
Extracurricular	1,678	-	-	1,678
Capital Outlay	9,883	5,537	-	15,420
Debt Service	3,477	-	-	3,477
Intergovernmental	-	646,195	-	646,195
<b>Total Expenditures</b>	<b>\$ 1,905,656</b>	<b>1,619,220</b>	<b>\$ 19</b>	<b>\$ 3,524,895</b>
<b>Excess of Revenues Over(Under) Expenditure</b>	<b>\$ 184,839</b>	<b>(133,428)</b>	<b>\$ (19)</b>	<b>\$ 51,392</b>
<b>Fund Balance at Beginning of Year(restated)</b>	<b>556,694</b>	<b>638,182</b>	<b>11,871</b>	<b>1,206,747</b>
<b>Decrease in Reserve for Inventory</b>	<b>(1,333)</b>	<b>-</b>	<b>-</b>	<b>(1,333)</b>
<b>Fund Balance at End of Year</b>	<b>\$ 740,200</b>	<b>\$ 504,754</b>	<b>\$ 11,852</b>	<b>\$ 1,256,806</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, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable Unfavorable
<b>Revenues (Governmental):</b>			
Intergovernmental	\$ 1,458,510	\$ 1,458,518	\$ 8
Interest	91,250	90,588	(662)
Tuition and Fees	2,160	12,967	10,807
Extracurricular Activities	5,000	7,290	2,290
Gifts and Donations	11,620	11,620	-
Customer Services	467,554	507,513	39,959
<b>Total Revenues</b>	<b>\$ 2,036,094</b>	<b>\$ 2,088,496</b>	<b>\$ 52,402</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	\$ 55,319	\$ 55,318	\$ 1
Special	723,564	723,565	(1)
Adult/Continuing	-	-	-
<b>Support Services:</b>			
Pupils	316,129	316,128	1
Instructional Staff	604,456	604,456	-
Board of Education	13,178	13,178	-
Administration	81,023	81,022	1
Fiscal	82,557	82,557	-
Operation and Maintenance of Plant	63,788	63,787	1
Pupil Transportation	11,400	11,400	-
Central	126,184	126,184	-
Non-Instructional Services	6,275	6,275	-
Extracurricular	1,678	1,678	-
Capital Outlay	18,083	18,083	-
Intergovernmental	-	-	-
<b>Total Expenditures</b>	<b>\$ 2,103,634</b>	<b>2,103,631</b>	<b>\$ 3</b>
<b>Excess of Revenues Over(Under) Expenditures</b>	<b>\$ (67,540)</b>	<b>\$ (15,135)</b>	<b>\$ 52,405</b>
<b>Other Financing Sources (Uses):</b>			
Refund of Prior Year Expenditures	\$ 8,509	\$ 8,509	\$ -
Advances In	2,000	2,000	-
Refund of Prior Year Receipts	(180)	(180)	-
Advances Out	(129,000)	(129,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (118,671)</b>	<b>\$ (118,671)</b>	<b>\$ -</b>
<b>Excess of Revenues, and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>\$ (186,211)</b>	<b>\$ (133,806)</b>	<b>\$ 52,405</b>
<b>Fund Balance at Beginning of Year</b>	<b>646,471</b>	<b>646,471</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>217,845</b>	<b>217,845</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 678,105</b>	<b>\$ 730,510</b>	<b>\$ 52,405</b>

Special Revenue Funds			Capital Projects Fund		
Revised Budget	Actual	Variance Favorable Unfavorable	Revised Budget	Actual	Variance Favorable Unfavorable
\$ 1,452,953	\$ 1,455,953	\$ 3,000	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,800	6,800	-	-	-	-
6,425	6,705	280	-	-	-
<u>1,466,178</u>	<u>1,469,458</u>	<u>3,280</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 151,248	\$ 151,248	-	\$ -	\$ -	\$ -
305,825	305,825	-	-	-	-
33,198	33,198	-	-	-	-
98,019	98,019	-	-	-	-
180,010	180,010	-	19	19	-
-	-	-	-	-	-
142,461	142,461	-	-	-	-
2,377	2,377	-	-	-	-
11,930	11,930	-	-	-	-
45,328	45,328	-	-	-	-
92,600	92,600	-	-	-	-
56,036	56,036	-	-	-	-
-	-	-	-	-	-
16,913	16,913	-	-	-	-
714,271	714,271	-	-	-	-
<u>\$ 1,850,216</u>	<u>\$ 1,850,216</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 19</u>	<u>\$ -</u>
\$ (384,038)	\$ (380,758)	\$ 3,280	\$ (19)	\$ (19)	\$ -
\$ -	\$ 7,100	\$ 7,100	\$ -	\$ -	\$ -
129,000	129,000	-	-	-	-
(100,169)	(100,169)	-	-	-	-
(2,000)	(2,000)	-	-	-	-
<u>\$ 26,831</u>	<u>\$ 33,931</u>	<u>\$ 7,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(357,207)	(346,827)	10,380	(19)	(19)	-
440,186	440,186	-	11,871	11,871	-
220,820	220,820	-	0	0	-
<u>\$ 303,799</u>	<u>\$ 314,179</u>	<u>\$ 10,380</u>	<u>\$ 11,852</u>	<u>\$ 11,852</u>	<u>\$ -</u>

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, 2001

	<u>Totals (Memorandum Only)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable Unfavorable</u>
<b>Revenues (Governmental):</b>			
Intergovernmental	\$ 2,911,463	\$ 2,914,471	\$ 3,008
Interest	91,250	90,588	(662)
Tuition and Fees	2,160	12,967	10,807
Extracurricular Activities	5,000	7,290	2,290
Gifts and Donations	18,420	18,420	-
Customer Services	473,979	514,218	40,239
<b>Total Revenues</b>	<b>3,502,272</b>	<b>3,557,954</b>	<b>55,682</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	\$ 206,567	\$ 206,566	\$ 1
Special	1,029,389	1,029,390	(1)
Adult/Continuing	33,198	33,198	-
<b>Support Services:</b>			
Pupils	414,148	414,147	1
Instructional Staff	784,485	784,485	-
Board of Education	13,178	13,178	-
Administration	223,484	223,483	1
Fiscal	84,934	84,934	-
Operation and Maintenance of Plant	75,718	75,717	1
Pupil Transportation	56,728	56,728	-
Central	218,784	218,784	-
Non-Instructional Services	62,311	62,311	-
Extracurricular	1,678	1,678	-
Capital Outlay	34,996	34,996	-
Intergovernmental	714,271	714,271	-
<b>Total Expenditures</b>	<b>\$ 3,953,869</b>	<b>\$ 3,953,866</b>	<b>\$ 3</b>
<b>Excess of Revenues Over(Under) Expenditures</b>	<b>\$ (451,597)</b>	<b>\$ (395,912)</b>	<b>\$ 55,685</b>
<b>Other Financing Sources (Uses):</b>			
Refund of Prior Year Expenditures	\$ 8,509	\$ 15,609	\$ 7,100
Advances In	131,000	131,000	-
Refund of Prior Year Receipts	(100,349)	(100,349)	-
Advances Out	(131,000)	(131,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (91,840)</b>	<b>\$ (84,740)</b>	<b>\$ 7,100</b>
<b>Excess of Revenues, and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>\$ (543,437)</b>	<b>\$ (480,652)</b>	<b>\$ 62,785</b>
<b>Fund Balance at Beginning of Year</b>	<b>1,098,528</b>	<b>1,098,528</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>438,665</b>	<b>438,665</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 993,756</b>	<b>\$ 1,056,541</b>	<b>\$ 62,785</b>

see notes to financial statements



**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
 PROPRIETARY FUND TYPES  
 For The Fiscal Year ended June 30, 2001**

	<b>Enterprise</b>	<b>Totals (Memorandum Only)</b>
<b><u>Operating Revenues:</u></b>		
Sales	\$ 37,945	\$ 37,945
<b>Total Operating Revenues</b>	<b>\$ 37,945</b>	<b>\$ 37,945</b>
<b><u>Operating Expenses:</u></b>		
Salaries	\$ 25,010	\$ 25,010
Fringe Benefits	7,379	7,379
Purchased Services	1,004	1,004
Materials and Supplies	2,481	2,481
Other	1,180	1,180
<b>Total Operating Expenses</b>	<b>\$ 37,054</b>	<b>\$ 37,054</b>
<b>Operating Income (Loss)</b>	<b>\$ 891</b>	<b>\$ 891</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>\$ 891</b>	<b>\$ 891</b>
<b>Net Income (Loss)</b>	<b>\$ 891</b>	<b>\$ 891</b>
<b>Retained Earnings at Beginning of Year</b>	<b>(6,474)</b>	<b>(6,474)</b>
<b>Retained Earnings at End of Year</b>	<b>\$ (5,583)</b>	<b>\$ (5,583)</b>
<b>Contributed Capital at Beginning of Year</b>	<b>\$ 19,060</b>	<b>\$ 19,060</b>
<b>Contributed Capital at End of Year</b>	<b>\$ 19,060</b>	<b>\$ 19,060</b>
<b>Total Fund Equity at End of Year</b>	<b>\$ 13,477</b>	<b>\$ 13,477</b>

see notes to financial statements

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGET BASIS)**  
**PROPRIETARY FUND TYPES**  
**For The Fiscal Year ended June 30, 2001**

	<u>Revised Budget</u>	<u>Enterprise</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Operating Revenues:</u></b>			
Sales	\$ 37,945	\$ 37,945	\$ -
<b>Total Operating Revenues</b>	<u>37,945</u>	<u>37,945</u>	<u>-</u>
<b><u>Operating Expenses:</u></b>			
Salaries	\$ 24,728	\$ 24,728	\$ -
Fringe Benefits	9,956	9,956	-
Purchased Services	1,305	1,305	-
Materials and Supplies	4,174	4,174	-
Other	1,386	1,386	-
<b>Total Operating Expenses</b>	<u>41,549</u>	<u>41,549</u>	<u>-</u>
<b>Operating Income (Loss)</b>	<u>\$ (3,604)</u>	<u>\$ (3,604)</u>	<u>\$ -</u>
<b>Excess of Revenues and Other over Expenses and Other</b>	<u>\$ (3,604)</u>	<u>\$ (3,604)</u>	<u>\$ -</u>
<b>Excess of Revenues Over (Under) Expenses,     Advances and Transfers</b>	<u>\$ (3,604)</u>	<u>\$ (3,604)</u>	<u>\$ -</u>
<b>Fund Equity at Beginning of Year</b>	<u>13,148</u>	<u>13,148</u>	<u>-</u>
<b>Prior Year Encumbrances Appropriated</b>	<u>2,709</u>	<u>2,709</u>	<u>-</u>
<b>Fund Equity at End of Year</b>	<u><u>\$ 12,253</u></u>	<u><u>\$ 12,253</u></u>	<u><u>\$ -</u></u>

see notes to financial statements

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 For The Fiscal Year Ended June 30, 2001**

	<b>Enterprise</b>	<b>Totals (Memorandum Only)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b><u>Cash Flows From Operating Activities:</u></b>		
Cash Received from Customers	\$ 37,945	\$ 37,945
Cash Payments to Suppliers for Goods and Services	(3,359)	(3,359)
Cash Payments for Other Expenses	(1,386)	(1,386)
Cash Payments for Employee Services	(24,728)	(24,728)
Cash Payments for Employee Benefits	(6,491)	(6,491)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,981</b>	<b>\$ 1,981</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$ 1,981</b>	<b>\$ 1,981</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>15,858</b>	<b>15,858</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 17,839</b>	<b>\$ 17,839</b>
<b>Reconciliation of Operating Income to Net Cash   Provided by Operating Activities</b>		
<b>Operating Activities:</b>		
Operating Income	<b>\$ 891</b>	<b>\$ 891</b>
<b>Adjustments to Reconcile Operating Income to Net Cash   Provided by Operating Activities:</b>		
(Increase) Decrease in Assets		
Prepaid Items	(205)	(205)
Decrease (Increase) in Liabilities		
Accounts Payable	125	125
Accrued Wages	145	145
Compensated Absences	128	128
Intergovernmental Payables	897	897
<b>Total Adjustments</b>	<b>1,090</b>	<b>1,090</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,981</b>	<b>\$ 1,981</b>

see notes to financial statements

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**NOTE 1 - REPORTING ENTITY**

The Washington County Educational Service Center (the "Educational Service Center") is located in Marietta, 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 27 support staff employees and 33 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.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

The Educational Service Center participates in the Southeastern Ohio Voluntary Education Cooperative and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as 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.

**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 restrictions 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 grouped into the following generic fund types under the broad fund categories - governmental and proprietary.

*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:

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

*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 (other than those financed by the proprietary fund).

**PROPRIETARY FUND TYPE:**

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

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

**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, other than those accounted for in the proprietary fund.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the Educational Service Center, except those accounted for in the proprietary fund.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**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.

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the enterprise fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, tuition, grants, student fees, and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

**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.



**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

*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 and reported in the notes to the financial statements for the proprietary fund type.

*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, including the enterprise fund, 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.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

During fiscal year 2001, investments were limited to STAR Ohio, which is reported at fair value which is based on quoted market prices, and certificates of deposit, which are reported at cost.

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, 2001.

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 2001 amounted to \$82,342, which includes \$25,235 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, 2001, 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. Fixed assets utilized in the enterprise fund are capitalized in the fund. 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

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

values as of the date received. The Educational Service Center maintains a capitalization threshold of \$250. The Educational Service Center does not have 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. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**H. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

For governmental funds, 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. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**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. In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise fund operations are reported as liabilities in the appropriate proprietary fund.

**K. Interfund Transactions**

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

**L. 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 inventories of materials and supplies inventory.

**M. Contributed Capital**

Contributed capital represents resources from other funds provided to the proprietary fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**N. Estimates**

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.

**O. 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 and results of operations 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**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Non-exchange Revenues." The implementation of GASB Statements 33 and 36 had the following effect on fund balance at June 30, 2000:

	<u>Special Revenue</u>
Fund Balance at June 30, 2000	\$628,155
Implementation of GASB 33	<u>10,027</u>
Adjusted Fund Balance at June 30, 2000	<u>\$638,182</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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 and as note disclosure in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Excess of Revenues Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$184,840	(\$133,428)	(\$19)
Net Adjustment for Revenue Accruals	6,510	(9,234)	0
Prepaid Items	(3,050)	(386)	0
Advances In	2,000	129,000	0
Net Adjustment for Expenditure Accruals	37,197	100,015	0
Advances Out	(129,000)	(2,000)	0
Encumbrances	(232,303)	(430,795)	0
Budget Basis	(\$133,806)	(\$346,828)	(\$19)

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

Net Income/Excess of Revenues Under Expenses  
Enterprise Fund

	<u>Enterprise</u>
GAAP Basis	\$891
Expense Accruals	1,295
Prepaid Items	(205)
Encumbrances	<u>(5,585)</u>
Budget Basis	<u><u>(\$3,604)</u></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 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 money deposited with the institution.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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



**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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 \$112,879 and the bank balance was \$180,884. Of the bank balance, \$177,181 was covered by federal depository insurance and \$3,703 was collateralized with securities held by the pledging financial institution's trust department in the Educational Service Center's name.

*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 fair value of the investment in STAR Ohio at June 30, 2001, as \$1,623,824.

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,736,703	\$0
Investment in STAR Ohio	(1,623,824)	1,623,824
GASB Statement 3	\$112,879	\$1,623,824

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**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 district's served by the Educational Service Center by \$36. 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 district's approve or disapprove the additional apportionment.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of excess costs, charges for services, and intergovernmental grants. All receivables are considered collectible in full due 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:	
CAFS	\$15,318
Bus Training	18,000
Customer Services	<u>5,843</u>
Total General Fund	<u>39,161</u>

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

Special Revenue Funds:	
Bus Training Classes	175
Guidance Grant	59,161
Wellness Grant	24,898
Camp Career Cluster	25,143
Alternative Suspension Grant	23,358
Good Conduct/Good Effort	1,980
Excess Costs	14,320
Preschool Grant	9,309
Other	<u>1,581</u>
Total Special Revenue Funds	<u>159,925</u>
Total	<u>\$199,086</u>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$19,060
Less: Accumulated depreciation	<u>(19,060)</u>
Net Fixed Assets	<u><u>\$0</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance at 06/30/00	Additions	Reductions	Balance at 06/30/01
Land and Improvements	\$6,828	\$0	\$0	\$6,828
Furniture and Equipment	435,418	47,316	5,046	477,688
Vehicles	<u>16,431</u>	<u>11,416</u>	<u>2,768</u>	<u>25,079</u>
Total	<u><u>\$458,677</u></u>	<u><u>\$58,732</u></u>	<u><u>\$7,814</u></u>	<u><u>\$509,595</u></u>

**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 2001, the Educational Service Center contracted with Nationwide Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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 fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2001, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$73,480, \$63,044, and \$18,965, respectively; 15.35 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$62,200 represents the unpaid contribution for fiscal year 2001, 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 (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. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the 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, 2001, 2000, and 1999, were \$15,318, \$8,183, and \$19,495 respectively; 2.19 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$14,983 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians'

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$97,973 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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 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, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$43,068.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses.

Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**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 240 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 240 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 eighty percent of the cost of the monthly premiums for employees working more than 30 hours per week; prorated 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 2001 totaled \$3,039.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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 2002	\$810
Less: Amount Representing Interest	<u>(11)</u>
Present Value of Net Minimum Lease Payments	<u>\$799</u>

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2001 were as follows:

	<u>Outstanding</u> <u>06/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/01</u>
Compensated Absences	\$27,792	\$41,774	\$29,059	\$40,507
Capital Lease Payable	3,838	0	3,039	799
Pension Obligation	<u>7,174</u>	<u>6,303</u>	<u>7,174</u>	<u>6,303</u>
Total Long-Term Obligations	<u>\$38,804</u>	<u>\$48,077</u>	<u>\$39,272</u>	<u>\$47,609</u>

Compensated absences and the pension obligation 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 Cooperative (SEOVEC)* - 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 Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

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



**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**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 Plan (GRP), and 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- INTERFUND ACTIVITY**

As of June 30, 2001, the Miscellaneous Federal Grants Special Revenue Fund owed the General Fund \$129,000.

**NOTE 18- STATE SCHOOL FUNDING DECISION**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 27, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**Washington County Educational Service Center, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2001.

**B. Litigation**

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

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

**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**

Washington County Educational Service Center  
Board of Education  
Marietta, Ohio

We have audited the general-purpose financial statements of Washington County Educational Service Center as of and for the year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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 have noted certain immaterial instances of noncompliance that we have reported to management of Washington County Educational Service Center in a separate letter dated December 12, 2001.

**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 general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal control that we have reported to management in a separate letter dated December 12, 2001.

Washington County Educational Service Center  
Report on Compliance and on Internal Control Over Financial Reporting  
Page two

This report is intended for the information of Board of Education, 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  
December 12, 2001

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

Washington County Educational Service Center  
Board of Education  
Marietta, Ohio

**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, 2001. 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 compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 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 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, 2001.

### **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 Centers' 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 internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, 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  
December 12, 2001

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

**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY  
JUNE 30, 2001**

**1. AUDITOR'S RESULTS**

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	TANF #98.558
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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  
WASHINGTON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<b>Federal Grantor/ Sub-Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>						
Pass through Ohio Department of Education						
Handicapped Preschool VIB	050476PGS100	84.173	19,776	-	17,353	-
	05047PGSC99		2,632	-	2,632	-
	050476PGS199		7,395	-	10,756	-
			29,803	-	30,741	-
Goals 2000	050476G2S399	84.276	12,085	-	37,377	-
			12,085	-	37,377	-
Eisenhower Professional Dev. Grant	050476MSS199	84.281	-	-	12,205	-
			-	-	12,205	-
<b>Total U.S. Department of Education</b>			41,888	-	80,323	-
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
Pass through Ohio Department of MR/DD						
Temporary Assistance for Needy Families	n/a	93.558	981,236	-	957,946	-
			981,236	-	957,946	-
Medical Assistance Program - CAFS	n/a	93.778	40,108	-	40,108	-
			40,108	-	40,108	-
<b>Total U.S. Department of Health and Human Services</b>			1,021,344	-	998,054	-
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>						
Pass through Ohio Department of Education						
Learn and Serve America	050476SVS400	94.004	-	-	3,556	-
	050476SVS199		6,584	-	2,747	-
			6,584	-	6,303	-
<b>Total Corporation for National and Community Service</b>			6,584	-	6,303	-
<b>Total Federal Awards Expenditures</b>			<b>\$ 1,069,816</b>	<b>\$ -</b>	<b>\$ 1,084,680</b>	<b>\$ -</b>

See notes to Schedule of Federal Awards Expenditures.



**WASHINGTON COUNTY EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTE A – Significant Account Policies

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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**WASHINGTON COUNTY 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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2002**