



Mary Taylor, CPA  
Auditor of State



**EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis – June 30, 2007 .....	11
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2007 .....	12
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2007.....	13
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2007 .....	14
Statement of Net Assets – Cash Basis – June 30, 2006 .....	15
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2006 .....	16
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2006.....	17
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2006 .....	18
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund – For the Fiscal Year Ended June 30, 2007 .....	33
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund – For the Fiscal Year Ended June 30, 2006 .....	34
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – Bus Driver Training Grant Special Revenue Fund – For the Fiscal Year Ended June 30, 2006 .....	35
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37
Schedule of Audit Findings .....	39
Schedule of Prior Audit Findings.....	40

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center  
Washington County  
115 Victory Place  
Marietta, Ohio 45750

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Washington County, Ohio (the Center), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Washington County, Ohio, as of June 30, 2007 and 2006, and the respective changes in cash financial position for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2008, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis and the respective budgetary comparisons for the General Fund and Bus Driver Training Grant Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 22, 2008

## Washington County Educational Service Center, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007 and 2006*  
Unaudited

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The discussion and analysis of the Washington County Educational Service Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal years ended June 30, 2007 and 2006. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities decreased \$227,271.
- General receipts accounted for \$731,369 in receipts or 31% of all receipts. Program specific cash receipts in the form of charges for services and grants and contributions accounted for \$1,665,289 or 69% of total receipts of \$2,396,658.
- The Center had \$2,623,929 in disbursements related to governmental activities; \$1,665,289 of these disbursements was offset by program specific charges for services and grants and contributions. General revenues of \$731,369 were not adequate to provide for these programs by \$227,271.
- The Center's only major fund was the General Fund. The General Fund had \$2,144,634 in receipts and \$2,324,768 in disbursements. The General Fund's balance decreased \$89,020 during the fiscal year.

Key financial highlights for the fiscal year 2006 are as follows:

- Net assets of governmental activities decreased \$51,074.
- General receipts accounted for \$692,477 in receipts or 28% of all receipts. Program specific cash receipts in the form of charges for services and grants and contributions accounted for \$1,797,734 or 72% of total receipts of \$2,490,211.
- The Center had \$2,541,285 in disbursements related to governmental activities; \$1,797,734 of these disbursements was offset by program specific charges for services and grants and contributions. General revenues of \$692,477 were not adequate to provide for these programs by \$51,074.
- The Center's major funds were the General Fund and the Bus Driver Training Fund. The General Fund had \$2,166,413 in receipts and \$2,188,512 in disbursements. The General Fund's balance decreased \$21,309 during the fiscal year. The Bus Driver Training Fund had \$97,623 in receipts and \$99,217 in disbursements. The Bus Driver Training Fund's balance decreased \$1,594 during the fiscal year.

# Washington County Educational Service Center, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007 and 2006*

Unaudited

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### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

### ***Reporting the Center as a Whole***

#### *Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis*

While this document contains information about the large number of funds used by the Center to provide programs and activities for students, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007 and 2006?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These two statements report the Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, all of the Center's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and intergovernmental pass-thru activities.

### ***Reporting the Center's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the Center's major funds begins on page 8. Fund financial reports provide detailed information about the Center's major fund. The Center uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's only major governmental fund for 2007 is the General Fund. The Center's major governmental funds for 2006 are the General Fund and the Bus Driver Training Fund.

***Governmental Funds*** Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the Center's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

**Washington County Educational Service Center, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007 and 2006*

Unaudited

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**The Center as a Whole**

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2007 compared to 2006 and 2005.

Table 1  
Net Assets - Cash Basis

	Governmental Activities		
	2007	2006	2005
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$575,541	\$802,812	\$853,886
<b>Net Assets</b>			
Restricted	\$18,271	\$155,367	\$185,132
Unrestricted	557,270	647,445	668,754
Total Net Assets	\$575,541	\$802,812	\$853,886

The above table reflects a decrease in net assets of \$227,271 from 2006 to 2007. The predominant factor in the decrease in net assets was the increased costs of operations of the Center's core office staff and unit funded positions while State funding and local support remained stagnant. Upgrades and maintenance of our facility continue to erode the cash balances as the cost is not charged directly to the programs housed within the building.

The above table reflects a decrease in net assets of \$51,074 from 2005 to 2006. The predominant factor in the decrease in net assets was the increased costs of operations of the Center's core office staff and unit funded positions while State funding remained stagnant.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, compared to fiscal year ended June 30, 2006 and June 30, 2005.

**Washington County Educational Service Center, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007 and 2006*

Unaudited

Table 2  
Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Receipts</b>			
Program Cash Receipts			
Charges for Services	\$1,398,142	\$1,437,721	\$1,284,523
Operating Grants and Contributions	267,147	360,013	388,453
Total Program Cash Receipts	<u>1,665,289</u>	<u>1,797,734</u>	<u>1,672,976</u>
General Receipts			
Grants and Entitlements	699,313	669,271	655,346
Investment Earnings	27,586	22,031	12,458
Receipts from Sale of Capital Assets	249	249	200
Miscellaneous	4,221	926	195
Total General Receipts	<u>731,369</u>	<u>692,477</u>	<u>668,199</u>
Total Receipts	<u>2,396,658</u>	<u>2,490,211</u>	<u>2,341,175</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	107,189	106,410	111,879
Special	861,454	818,599	763,167
Adult/Continuing	7,376	2,047	3,464
Support Services:			
Pupils	392,609	337,575	352,385
Instructional Staff	789,736	713,895	691,122
Board of Education	18,777	15,996	15,954
Administration	143,346	94,586	90,469
Fiscal	88,890	98,865	79,400
Operation and Maintenance of Plant	102,183	84,826	69,102
Pupil Transportation	700	765	816
Central	26,516	166,527	154,806
Operation of Non-Instructional Services	8,074	10,662	7,377
Capital Outlay	22,201	31,338	31,551
Intergovernmental	54,878	59,194	51,674
Total Disbursements	<u>2,623,929</u>	<u>2,541,285</u>	<u>2,423,166</u>
Decrease in Net Assets	(227,271)	(51,074)	(81,991)
Net Assets Beginning of Fiscal Year	802,812	853,886	935,877
Net Assets End of Fiscal Year	<u>\$575,541</u>	<u>\$802,812</u>	<u>\$853,886</u>

## Washington County Educational Service Center, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2007 and 2006*

Unaudited

As an educational service center, the primary source of receipts is the charge for services provided. Grants are attained to add to the variety of educational and support services to the districts served. Participation is voluntary, as each district is unique in their student needs and financial constraints. The Center offers several long-standing educational programs in addition to introducing new and innovative offerings as the need and funding sources allow. The cost of updating and maintaining a facility should be noted by the reader. There were no major changes from 2005 to 2006 in the types of services provided. The bus driver training program was eliminated for 2007 due to the downsizing created at the State level. This program contributed to the support of a portion of a clerical position and provided facility funds through the payment of rent. It was self-supporting and had been a long-standing program with the staff having many combined years of experience.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2007 compared to fiscal year 2006 and fiscal year 2005. That is, it identifies the cost of those services supported by unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006	2005	2005
<b>Program Disbursements</b>						
Instruction:						
Regular	\$107,189	\$21,405	\$106,410	(\$92,492)	\$111,879	(\$39,597)
Special	861,454	149,574	818,599	141,239	763,167	213,617
Adult/Continuing	7,376	817	2,047	223	3,464	2,761
Support Services:						
Pupils	392,609	156,377	337,575	83,521	352,385	64,326
Instructional Staff	789,736	323,210	713,895	325,802	691,122	302,410
Board of Education	18,777	18,777	15,996	15,996	15,954	15,954
Administration	143,346	116,310	94,586	64,629	90,469	60,086
Fiscal	88,890	66,459	98,865	74,609	79,400	53,500
Operation and Maintenance of Plant	102,183	58,082	84,826	42,723	69,102	33,225
Pupil Transportation	700	700	765	765	816	(16)
Central	26,516	12,831	166,527	37,445	154,806	5,549
Operation of Non- Instructional Services	8,074	6,221	10,662	6,018	7,377	7,377
Capital Outlay	22,201	22,201	31,338	31,338	31,551	31,551
Intergovernmental	54,878	5,676	59,194	11,735	51,674	(553)
<b>Total</b>	<b>\$2,623,929</b>	<b>\$958,640</b>	<b>\$2,541,285</b>	<b>\$743,551</b>	<b>\$2,423,166</b>	<b>\$750,190</b>

## Washington County Educational Service Center, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007 and 2006*  
Unaudited

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The Center supplements the cost of services from their cash reserves and the amount provided by State funding. The pass-thru activities represent transactions relating to a State media grant which supports the purchase and delivery of educational media materials to participating districts. The Center serves as the fiscal agent for the region by receiving the entire allocation and passing the respective shares on to the two other participating media centers.

The method of calculating charge back costs to the participating districts has remained relatively constant. Costs are calculated prior to July 1<sup>st</sup> in order to certify contract amounts to be withheld from districts' state foundation payments. Additions or decreased usage by a participating district is adjusted in subsequent years. This leads to variations in the amounts owed to/from the district to the ESC based upon actual usage.

### **The Educational Service Center Funds**

The Center's major funds are accounted for using the cash basis of accounting. For 2007, all governmental funds had total receipts of \$2,396,409 and disbursements of \$2,623,929. The General Fund had a decrease in fund balance of \$89,020 due to the Center providing certain services to Districts without charging back the shortfall of funds inherent with state funded positions.

For 2006, all governmental funds had total receipts of \$2,489,962 and disbursements of \$2,541,285. The General Fund had a decrease in fund balance of \$21,309 due to the Center providing certain services to Districts without charging back the shortfall of funds inherent with state funded positions. The Bus Driver Training Fund also had a decrease in fund balance of only \$1,594. This program, as other State funded programs, had increased operating costs but stagnant funding during the fiscal year as part of the Governor's attempt to balance the State budget. A participant fee is charged to those receiving the training, which offset the decrease due to an increase in the number receiving training.

### ***General Fund Budgeting Highlights***

Starting in fiscal year 2004, the Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated revenues. The most significant budgeted fund is the General Fund.

During the course of 2007 and 2006, the Center amended its General Fund budget. The Center uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, 2007 budget basis receipts were \$2,144,634, below final estimates of \$2,276,830. Final revenue estimates were \$211,680 above original estimates. There were decreases in CAFS from the prior fiscal year. The amounts received during fiscal year 2007 were residual amounts due for prior year services and rate adjustments. Additional revenue was received through expanded special education services provided to districts at their request. Budget basis disbursements were \$2,926 below final appropriations. Final appropriations were \$175,761 above original appropriations.

## Washington County Educational Service Center, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007 and 2006*  
Unaudited

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For the General Fund, 2006 budget basis receipts were \$2,166,413, above final estimates of \$2,165,375. Final revenue estimates were \$32,245 below original estimates due to the amount received from the Community Alternative Funding System program. Budget basis disbursements were \$978 below final appropriations. Final appropriations were \$77,194 below original appropriations due mainly to the loss of one speech position, less expensive supervisory staff, decreased SERS surcharge, and decreased utility costs.

The Center's ending unobligated General Fund balance was \$509,642 for 2007 and \$583,877 for 2006.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

The Center does not record capital assets in the accompanying cash basis financial statements, but records payments for capital assets as disbursements.

#### ***Debt Administration***

The Center does not have any outstanding debt. It, however, has a long-term contract as described in Note 10 of the basic cash financial statements.

### **Current Issues**

The Educational Service Center strives to serve the needs of students within the six districts and the Washington County Career Center and to work in cooperation with the County/State agencies to meet their ever changing educational needs. We continued to conduct business in a fiscally conservative manner in order to ensure we provided the most affordable service to our customers.

Fiscal year 2006 was a fairly uneventful year in terms of programming and service. The staff and students housed at our facility worked on innovative ways to co-exist and improve on the peer tutoring program. Students attending the out of school suspension program were involved in small facility maintenance projects such as painting, landscape care, and limited custodial duties. The struggle to find qualified speech pathologists continued. Aide services for students attending Ewing School increased.

Fiscal year 2007 was comparable to prior years. The existing programs continued to try to work within budget constraints and the ever changing student population requiring special services. An additional half-time early childhood classroom unit was added, along with a cross-categorical special needs unit for primary grades at one of the local districts. We also added an additional psychologist position, which was funded entirely by charge back of costs.

The major change is the merger of our entity with the Ohio Valley ESC at the end of fiscal year 2007. It is hoped that by combining the two ESC's, we will gain more financial stability and be able to offer more services to our districts.

**Washington County Educational Service Center, Ohio**

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007 and 2006*  
Unaudited

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**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Janine Satterfield, Treasurer/CFO at the Washington County Educational Service Center, 21742 SR 676, Marietta, Ohio 45750, or E-Mail at [84\\_JSatterfi@SEOVEC.ORG](mailto:84_JSatterfi@SEOVEC.ORG).

**Washington County Educational Service Center, Ohio**

*Statement of Net Assets - Cash Basis*

*June 30, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$575,541</u>
<b>Net Assets</b>	
Restricted for:	
Unclaimed Monies	\$2,778
Other Purposes	15,493
Unrestricted	<u>557,270</u>
<i>Total Net Assets</i>	<u>\$575,541</u>

See accompanying notes to the basic financial statements

**Washington County Educational Service Center, Ohio**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2007*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements)
		Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$107,189	\$44,800	\$40,984	(\$21,405)
Special	861,454	709,123	2,757	(149,574)
Adult/Continuing	7,376	0	6,559	(817)
Support Services:				
Pupils	392,609	218,559	17,673	(156,377)
Instructional Staff	789,736	332,203	134,323	(323,210)
Board of Education	18,777	0	0	(18,777)
Administration	143,346	21,722	5,314	(116,310)
Fiscal	88,890	21,722	709	(66,459)
Operation and Maintenance of Plant	102,183	36,328	7,773	(58,082)
Pupil Transportation	700	0	0	(700)
Central	26,516	13,685	0	(12,831)
Operation of Non-Instructional Services	8,074	0	1,853	(6,221)
Capital Outlay	22,201	0	0	(22,201)
Intergovernmental	54,878	0	49,202	(5,676)
<i>Totals</i>	<u>\$2,623,929</u>	<u>\$1,398,142</u>	<u>\$267,147</u>	<u>(958,640)</u>
<b>General Receipts</b>				
Grants and Entitlements not Restricted to Specific Programs				699,313
Receipts from Sale of Capital Assets				249
Investment Earnings				27,586
Miscellaneous				4,221
<i>Total General Receipts</i>				<u>731,369</u>
<i>Change in Net Assets</i>				(227,271)
<i>Net Assets Beginning of Year</i>				<u>802,812</u>
<i>Net Assets End of Year</i>				<u><u>\$575,541</u></u>

See accompanying notes to the financial statements

**Washington County Educational Service Center, Ohio**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*June 30, 2007*

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	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$557,270	\$15,493	\$572,763
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	2,778	0	2,778
<i>Total Assets</i>	<u>\$560,048</u>	<u>\$15,493</u>	<u>\$575,541</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	\$50,406	\$9,704	\$60,110
Reserved for Unclaimed Monies	2,778	0	2,778
Unreserved, Undesignated, Reported in:			
General Fund	506,864	0	506,864
Special Revenue Funds	0	5,789	5,789
<i>Total Fund Balances</i>	<u>\$560,048</u>	<u>\$15,493</u>	<u>\$575,541</u>

See accompanying notes to the basic financial statements

**Washington County Educational Service Center, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Intergovernmental	\$715,005	\$251,455	\$966,460
Investment Earnings	27,586	0	27,586
Customer Services and Sales	1,082,804	320	1,083,124
Tuition and Fees	285,893	0	285,893
Rent	29,125	0	29,125
Miscellaneous	4,221	0	4,221
<i>Total Receipts</i>	<u>2,144,634</u>	<u>251,775</u>	<u>2,396,409</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	61,478	45,711	107,189
Special	858,354	3,100	861,454
Adult/Continuing	0	7,376	7,376
Support Services:			
Pupils	390,381	2,228	392,609
Instructional Staff	639,471	150,265	789,736
Board of Education	18,777	0	18,777
Administration	137,408	5,938	143,346
Fiscal	88,099	791	88,890
Operation and Maintenance of Plant	93,513	8,670	102,183
Pupil Transportation	700	0	700
Central	8,389	18,127	26,516
Operation of Non-Instructional Services	5,997	2,077	8,074
Capital Outlay	22,201	0	22,201
Intergovernmental	0	54,878	54,878
<i>Total Disbursements</i>	<u>2,324,768</u>	<u>299,161</u>	<u>2,623,929</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(180,134)</u>	<u>(47,386)</u>	<u>(227,520)</u>
<b>Other Financing Sources (Uses)</b>			
Receipts from Sale of Capital Assets	249	0	249
Transfers In	100,207	1,092	101,299
Transfers Out	(1,092)	(100,207)	(101,299)
Advances In	2,500	10,750	13,250
Advances Out	(10,750)	(2,500)	(13,250)
<i>Total Other Financing Sources</i>	<u>91,114</u>	<u>(90,865)</u>	<u>249</u>
<i>Net Change in Fund Balance</i>	<u>(89,020)</u>	<u>(138,251)</u>	<u>(227,271)</u>
<i>Fund Balances Beginning of Year</i>	<u>649,068</u>	<u>153,744</u>	<u>802,812</u>
<i>Fund Balances End of Year</i>	<u>\$560,048</u>	<u>\$15,493</u>	<u>\$575,541</u>

See accompanying notes to the financial statements

**Washington County Educational Service Center, Ohio**

*Statement of Net Assets - Cash Basis*

*June 30, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$802,812</u>
<b>Net Assets</b>	
Restricted for:	
Unclaimed Monies	\$1,623
Other Purposes	153,744
Unrestricted	<u>647,445</u>
<i>Total Net Assets</i>	<u>\$802,812</u>

See accompanying notes to the basic financial statements

**Washington County Educational Service Center, Ohio**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2006*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements)
		Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$106,410	\$158,500	\$40,402	\$92,492
Special	818,599	675,521	1,839	(141,239)
Adult/Continuing	2,047	0	1,824	(223)
Support Services:				
Pupils	337,575	208,114	45,940	(83,521)
Instructional Staff	713,895	276,079	112,014	(325,802)
Board of Education	15,996	0	0	(15,996)
Administration	94,586	22,892	7,065	(64,629)
Fiscal	98,865	22,893	1,363	(74,609)
Operation and Maintenance of Plant	84,826	36,018	6,085	(42,723)
Pupil Transportation	765	0	0	(765)
Central	166,527	37,704	91,378	(37,445)
Operation of Non-Instructional Services	10,662	0	4,644	(6,018)
Capital Outlay	31,338	0	0	(31,338)
Intergovernmental	59,194	0	47,459	(11,735)
<i>Totals</i>	<u>\$2,541,285</u>	<u>\$1,437,721</u>	<u>\$360,013</u>	<u>(743,551)</u>
<b>General Receipts</b>				
Grants and Entitlements not Restricted to Specific Programs				669,271
Investment Earnings				22,031
Receipts from Sale of Capital Assets				249
Miscellaneous				926
<i>Total General Receipts</i>				<u>692,477</u>
<i>Change in Net Assets</i>				(51,074)
<i>Net Assets Beginning of Year</i>				<u>853,886</u>
<i>Net Assets End of Year</i>				<u><u>\$802,812</u></u>

See accompanying notes to the financial statements

**Washington County Educational Service Center, Ohio**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*June 30, 2006*

	<u>General</u>	<u>Bus Driver Training Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$647,445	\$116,922	\$36,822	\$801,189
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>1,623</u>	<u>0</u>	<u>0</u>	<u>1,623</u>
<i>Total Assets</i>	<u>\$649,068</u>	<u>\$116,922</u>	<u>\$36,822</u>	<u>\$802,812</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	\$65,191	\$5,031	\$39,850	\$110,072
Reserved for Unclaimed Monies	1,623	0	0	1,623
Unreserved, Undesignated, Reported in:				
General Fund	582,254	0	0	582,254
Special Revenue Funds (Deficits)	<u>0</u>	<u>111,891</u>	<u>(3,028)</u>	<u>108,863</u>
<i>Total Fund Balances</i>	<u>\$649,068</u>	<u>\$116,922</u>	<u>\$36,822</u>	<u>\$802,812</u>

See accompanying notes to the basic financial statements

**Washington County Educational Service Center, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

	General Fund	Bus Driver Training Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Intergovernmental	\$711,980	\$91,378	\$225,926	\$1,029,284
Investment Earnings	22,031	0	0	22,031
Customer Services and Sales	1,065,150	6,245	0	1,071,395
Tuition and Fees	336,912	0	0	336,912
Rent	29,414	0	0	29,414
Miscellaneous	926	0	0	926
<i>Total Receipts</i>	<u>2,166,413</u>	<u>97,623</u>	<u>225,926</u>	<u>2,489,962</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	61,067	0	45,343	106,410
Special	816,535	0	2,064	818,599
Adult/Continuing	0	0	2,047	2,047
Support Services:				
Pupils	333,949	0	3,626	337,575
Instructional Staff	588,182	0	125,713	713,895
Board of Education	15,996	0	0	15,996
Administration	86,657	0	7,929	94,586
Fiscal	97,335	0	1,530	98,865
Operation and Maintenance of Plant	77,997	0	6,829	84,826
Pupil Transportation	765	0	0	765
Central	67,310	99,217	0	166,527
Operation of Non-Instructional Services	5,450	0	5,212	10,662
Capital Outlay	31,338	0	0	31,338
Intergovernmental	5,931	0	53,263	59,194
<i>Total Disbursements</i>	<u>2,188,512</u>	<u>99,217</u>	<u>253,556</u>	<u>2,541,285</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(22,099)</u>	<u>(1,594)</u>	<u>(27,630)</u>	<u>(51,323)</u>
<b>Other Financing Sources (Uses)</b>				
Receipts from Sale of Capital Assets	249	0	0	249
Advances In	3,500	0	2,500	6,000
Advances Out	(2,500)	0	(3,500)	(6,000)
Transfers In	0	0	459	459
Transfers Out	(459)	0	0	(459)
<i>Total Other Financing Sources</i>	<u>790</u>	<u>0</u>	<u>(541)</u>	<u>249</u>
<i>Net Change in Fund Balance</i>	<u>(21,309)</u>	<u>(1,594)</u>	<u>(28,171)</u>	<u>(51,074)</u>
<i>Fund Balances Beginning of Year</i>	<u>670,377</u>	<u>118,516</u>	<u>64,993</u>	<u>853,886</u>
<i>Fund Balances End of Year</i>	<u>\$649,068</u>	<u>\$116,922</u>	<u>\$36,822</u>	<u>\$802,812</u>

See accompanying notes to the financial statements

## Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2007 and 2006*

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### **Note 1 - Description of the Educational Service Center and Reporting Entity**

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

The Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Center has 18 support staff employees and 33 certified teaching personnel.

#### ***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Center consists of all funds, departments, boards, and agencies that are not legally separate from the Center.

The Center participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the South Eastern Ohio Special Education Regional Resource Center, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 12 and 13 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Center's accounting policies.

#### ***A. Fund Accounting***

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Since the Center has no proprietary or fiduciary funds, it classifies each fund as governmental.

***Governmental:*** The Center classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The Center's major governmental funds are the General Fund and the Bus Driver Training Fund. The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

The Center had the following major fund in addition to the General Fund as mentioned above:

**Bus Driver Training Fund** – This fund accounts for State grants and participation fees to train bus drivers that the Center serves as required by law.

**Washington County Educational Service Center, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2007 and 2006*

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

***B. Basis of Presentation***

The Center's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements:*** The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any. The Center has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the Center at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the Center's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Center's general receipts.

***Fund Financial Statements:*** During both fiscal years, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

***C. Basis of Accounting***

The Center's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Center are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**Washington County Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Years Ended June 30, 2007 and 2006*

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***D. Cash, Cash Equivalents, and Investments***

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal years 2007 and 2006, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007 and 2006.

The Center values investments and cash equivalents at cost. For presentation on the financial statements, the Center classifies investments of the cash management pool as cash equivalents.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2007 was \$27,586, including \$5,057 assigned from other Center funds. Interest receipts credited to the General Fund during fiscal year 2006 was \$22,031, including \$4,838 assigned from other Center funds.

***E. Inventory and Prepaid Items***

The Center reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***F. Capital Assets***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

***G. Employer Contributions to Cost-Sharing Pension Plans***

The Center recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***H. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Center's cash basis of accounting.

***I. Fund Balance Reserves***

The Center reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and unclaimed monies.

**Washington County Educational Service Center, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2007 and 2006*

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Under Ohio law, unclaimed monies must be held for five years before it becomes available for appropriation. Monies not yet held for the five year period are presented as reserved.

***J. Net Assets***

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants restricted to cash disbursement for specified purposes. The Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$18,271 and \$155,367 of restricted net assets for 2007 and 2006, respectively, of which none are restricted by enabling legislation. Net assets restricted for other purposes include local, federal, and state grants restricted to expenditure for specified purposes.

***K. Interfund Activity***

Internal allocations of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

***L. Budgetary Process***

The budgetary process is prescribed by provisions of Section 3317.11 of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The presentation of budgetary statements, however, is voluntary.

The Center adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balances and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. The level of control has been established by the Governing Board at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

**Washington County Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Years Ended June 30, 2007 and 2006*

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Unencumbered appropriations revert to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**M. Long-term Obligations**

The Center's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**Note 3 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – (Budget Basis) presented for the General Fund and Bus Driver Training Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis).

The encumbrances outstanding at fiscal year end (budgetary basis) amounted to:

	<u>2007</u>	<u>2006</u>
General Fund	\$50,406	\$65,191
Bus Driver Training Fund		5,031

**Note 4 - Deposits and Investments**

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

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

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

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 or deposit accounts including passbook accounts.

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

**Washington County Educational Service Center, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2007 and 2006*

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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 payment of 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, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2007, the carrying amount of the Center's deposits was \$68,960 and the bank balance was \$228,477. Of the bank balance, \$200,000 was covered by Federal depository insurance and \$28,477 was exposed to custodial credit risk because it was uninsured and uncollateralized. At fiscal year end 2006, the carrying amount of the Center's deposits was \$321,720 and the bank balance was \$386,440. Of the bank balance, \$179,234 was covered by Federal depository insurance and \$207,206 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Washington County Educational Service Center, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2007 and 2006*

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**Investments** As of June 30, 2007 and 2006, the Center had an investment in STAROhio. The carrying and fair value of this investment was \$506,581 and \$481,092, respectively, with an average maturity of 38.56 days and 34.8 days, respectively. This investment is accounted for in the General Fund.

**Credit Risk** STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The Center has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** The Center places no limit on the amount it may invest in any one issuer.

**Note 5 - State and Local School District Funding**

The Center, under state law, provides supervisory services to the local school districts within its territory. Each city school district that entered into an agreement with the Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Center's local and client school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Center. The Center may provide additional supervisory services if the majority of local and client school districts agree to the services and the apportionment of the costs to all of the local and client school districts.

The Center also receives funding from the State Department of Education in the amount of \$37<sup>(1)</sup> times the average daily membership of the Center. Average daily membership includes the total student counts of all local school districts within the Center's territory and all of the Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Center's local and client school district an amount equal to \$6.50<sup>(2)</sup> times the school district's total student count and remits this amount to the Center.

The Center may contract with city, exempted village, local, joint vocational, or cooperative education school districts to provide special education and related services or career-technical education services. The individual boards of education pay the costs for these services directly to the Center.

(1) The ADM amount is increased to forty dollars and fifty-two cents if the educational service center comprises territory that was included in the territory of at least three former service centers or county school districts, which former centers or districts engaged in one or more mergers under Section 3311.05.3 of the Revised Code to form the present center.

(2) The boards of education of the local or client school district may agree to pay an amount in excess of \$6.50 per student in total student count. If a majority of the boards of education approve an amount in excess of \$6.50 per student in total student count, the department shall deduct the approved excess per student amount from all of the local school districts within the service center's territory and pay the excess amount to the service center.

**Washington County Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Years Ended June 30, 2007 and 2006*

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**Note 6 - Risk Management**

***A. Property and Liability***

The 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 years 2007 and 2006, the Center contracted with the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each participating school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays this annual premium to the OSP (See Note 13).

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

General Liability:	
Each occurrence	\$1,000,000
Aggregate Limit	\$3,000,000
Deductible (Education Legal Liability only)	\$2,500
Employers' Liability - Each occurrence	\$1,000,000
Employee Benefits – occurrence/aggregate	\$1,000,000/\$3,000,000
Building and Contents – replacement cost	\$753,600
Crime Insurance (\$1,000 deductible)	\$25,000
Automobile Liability (\$250 deductible)	\$1,000,000
Automobile Collision (\$500 deductible)	\$50,000
Medical Payments	\$5,000

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

***B. Workers' Compensation***

For fiscal years 2007 and 2006, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve 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 members is calculated as one experience and a common premium rate is applied to all members 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. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's 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 members that can meet the GRP's selection criteria.

**Note 7 - Defined Benefit Pension Plans**

***A. State Teachers Retirement System***

The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371,

**Washington County Educational Service Center, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2007 and 2006*

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by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strs.org](http://www.strs.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$157,922, \$153,131, and \$152,946, respectively; 89.91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$2,712 made by the Center and \$7,603 made by the plan members. Contributions to the DC and Combined Plans for fiscal year 2006 were \$158 made by the Center and \$158 made by the plan members.

***B. School Employees Retirement System***

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

## Washington County Educational Service Center, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Years Ended June 30, 2007 and 2006*

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Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; 10.68 percent and 10.58 percent of annual covered salary was the portion used to fund pension obligations for 2007 and 2006, respectively. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$34,825, \$39,360, and \$35,680, respectively; 91.38 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

#### ***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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007 and 2006, no members of the Governing Board elected Social Security. The Board's liability is 6.2 percent of wages.

#### **Note 8 - Postemployment Benefits**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal years ended June 30, 2007 and 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Center, this amount equaled \$12,148 and \$11,779 for fiscal years 2007 and 2006, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent and 3.43 percent of covered payroll for fiscal years 2006 and 2005, respectively. 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

**Washington County Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Years Ended June 30, 2007 and 2006*

partial service credit. For fiscal years 2007 and 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2007 and 2006 fiscal years equaled \$18,389 and \$20,282, respectively.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**Note 9 - Interfund Transfers and Balances**

Transfers are used to move revenues from the fund that the Statute or budget requires to collect them to the fund that the Statute or budget requires to expend them. The General Fund transferred \$1,092 to the Bus Driver Training Special Revenue during fiscal year 2007. Then, in order to discontinue the program, the Bus Driver Training Special Revenue Fund transferred \$100,207 to the General Fund.

Interfund balances at June 30, 2007, consisted of unpaid advances as follows:

	<u>Receivables</u>
	General
<u>Payables</u>	<u>Fund</u>
Special Revenue Funds:	
State Grants	\$2,500
Federal Grants	5,750
Total All Funds	<u><u>\$8,250</u></u>

**Note 10 - Long-Term Contract**

The Center entered into a long-term contract with Johnson Controls to provide a service contract to fund, maintain, and install a boiler system and condensate return system at 115 Victory Place, at a cost of \$67,594. 60 monthly payments of \$1,340.46 will be made from the General Fund, with the first payment in July 2005. The agreement included: removing the existing boilers, installing two used boilers, installing new boiler controls, and 16 hours of mechanic time per year for five years.

**Note 11 - Contingencies**

**A. Grants**

The Center receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2007 and 2006, will not have a material adverse effect on the Center.

**Washington County Educational Service Center, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Years Ended June 30, 2007 and 2006*

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***B. Litigation***

The Center is currently not a party to any legal proceedings.

**Note 12 - Jointly Governed Organizations**

***A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Educational Service Centers. SEOVEC has 30 participants consisting of 26 school districts and 4 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. During fiscal year 2007, the Center paid \$3,685 to SEOVEC. During fiscal year 2006, the Center paid \$5,341 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

***B. Washington County Career Center***

The Washington County Career Center 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 Career Center, Janine Satterfield, Treasurer, at 21740 State Route 676, Marietta, Ohio 45750.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers of 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 Council is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Council. The Center's membership fee was \$300 for fiscal years 2007 and 2006.

***D. South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)***

SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating Educational Service Center is limited to its representation on the Board. During fiscal year 2007, the Center paid \$1,598 to SEOSERRC. During fiscal year 2006, the Center paid \$1,488 to SEOSERRC. Financial

**Washington County Educational Service Center, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Years Ended June 30, 2007 and 2006*

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information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 13 - Insurance Purchasing Pools**

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

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

***B. Ohio School Plan***

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

**Note 14 – Subsequent Event**

Effective July 1, 2007, the Washington County Educational Service Center merged with the Ohio Valley Educational Service Center. The bus driver training program was discontinued at the end of the fiscal year due to Ohio Department of Education's decision to re-district the regional boundaries. This decision was prompted by a shortfall in funding statewide for the program, and the small number of participants receiving training within our region. Our preservice bus driver training program coordinator/instructor retired at the end of his contract (July 31, 2006), and the clerical staff cost was distributed to the other programs she supported. It is anticipated that we can provide more efficient services and gain more political "clout" in regard to delivery of services and future legislation regulating Education Service Centers by this merger. The Governing Board has made the initial commitment to merge with Ohio Valley Educational Service Center effective July 1, 2007.

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**Washington County Educational Service Center, Ohio**  
*Required Supplementary Information*  
*Statement of Cash Receipts, Disbursements and Changes*  
*in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$639,957	\$713,005	\$715,005	\$2,000
Investment Earnings	20,000	27,386	27,586	200
Customer Services and Sales	1,088,100	1,218,132	1,082,804	(135,328)
Tuition and Fees	288,343	285,893	285,893	0
Rent	28,000	29,125	29,125	0
Miscellaneous	750	3,289	4,221	932
<i>Total Revenues</i>	<u>2,065,150</u>	<u>2,276,830</u>	<u>2,144,634</u>	<u>(132,196)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	65,663	61,431	61,478	(47)
Special	850,297	861,431	861,219	212
Support Services:				
Pupils	343,486	395,786	395,145	641
Instructional Staff	621,972	644,598	640,266	4,332
Board of Education	19,700	20,427	20,090	337
Administration	100,110	143,293	142,722	571
Fiscal	65,900	87,337	89,340	(2,003)
Operation and Maintenance of Plant	92,350	119,769	123,287	(3,518)
Pupil Transportation	2,000	700	700	0
Central	12,311	15,120	12,729	2,391
Operation of Non-Instructional Services	6,350	6,007	5,997	10
Capital Outlay	22,200	22,201	22,201	0
<i>Total Expenditures</i>	<u>2,202,339</u>	<u>2,378,100</u>	<u>2,375,174</u>	<u>2,926</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(137,189)</u>	<u>(101,270)</u>	<u>(230,540)</u>	<u>(129,270)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	100	249	249	0
Transfers In	0	100,845	100,207	(638)
Transfers Out	0	0	(1,092)	(1,092)
Advances In	1,000	0	2,500	2,500
Advances Out	(2,500)	(2,500)	(10,750)	(8,250)
Refund of Prior Year Receipt	(1,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,400)</u>	<u>98,594</u>	<u>91,114</u>	<u>(7,480)</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(139,589)</u>	<u>(2,676)</u>	<u>(139,426)</u>	<u>(136,750)</u>
<i>Fund Balance Beginning of Year</i>	583,877	583,877	583,877	0
Prior Year Encumbrances Appropriated	65,191	65,191	65,191	0
<i>Fund Balance End of Year</i>	<u>\$509,479</u>	<u>\$646,392</u>	<u>\$509,642</u>	<u>(\$136,750)</u>

See accompanying notes to the basic financial statements

**Washington County Educational Service Center, Ohio**  
*Required Supplementary Information*  
*Statement of Cash Receipts, Disbursements and Changes*  
*in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$836,602	\$711,980	\$711,980	\$0
Investment Earnings	10,000	21,950	22,031	81
Customer Services and Sales	987,500	1,062,913	1,065,150	2,237
Tuition and Fees	337,398	336,912	336,912	0
Rent	25,000	29,414	29,414	0
Miscellaneous	1,120	2,206	926	(1,280)
<i>Total Revenues</i>	<u>2,197,620</u>	<u>2,165,375</u>	<u>2,166,413</u>	<u>1,038</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	64,364	61,463	61,463	0
Special	805,986	821,201	821,201	0
Support Services:				
Pupils	373,492	342,494	342,504	(10)
Instructional Staff	661,079	609,856	609,736	120
Board of Education	19,990	17,131	17,131	0
Administration	97,185	97,384	97,378	6
Fiscal	109,724	105,893	105,893	0
Operation and Maintenance of Plant	102,372	84,646	84,539	107
Pupil Transportation	2,797	765	765	0
Central	67,781	70,577	70,307	270
Operation of Non-Instructional Services	6,085	6,002	5,517	485
Capital Outlay	21,020	31,338	31,338	0
Intergovernmental	0	5,931	5,931	0
<i>Total Expenditures</i>	<u>2,331,875</u>	<u>2,254,681</u>	<u>2,253,703</u>	<u>978</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(134,255)</u>	<u>(89,306)</u>	<u>(87,290)</u>	<u>2,016</u>
<b>Other Financing Sources (Uses)</b>				
Receipts from Sale of Capital Assets	100	249	249	0
Advances In	1,000	3,500	3,500	0
Advances Out	(1,000)	(2,500)	(2,500)	0
Transfers Out	0	(459)	(459)	0
Refund of Prior Year Receipt	(1,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(900)</u>	<u>790</u>	<u>790</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(135,155)</u>	<u>(88,516)</u>	<u>(86,500)</u>	<u>2,016</u>
<i>Fund Balance Beginning of Year</i>	567,921	567,921	567,921	0
Prior Year Encumbrances Appropriated	<u>102,456</u>	<u>102,456</u>	<u>102,456</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$535,222</u></u>	<u><u>\$581,861</u></u>	<u><u>\$583,877</u></u>	<u><u>\$2,016</u></u>

See accompanying notes to the basic financial statements

**Washington County Educational Service Center, Ohio**  
*Required Supplementary Information*  
*Statement of Cash Receipts, Disbursements and Changes*  
*in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*Bus Driver Training Grant Special Revenue Fund*  
*For the Fiscal Year Ended June 30, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$91,378	\$91,378	\$91,378	\$0
Customer Services and Sales	7,140	6,525	6,245	(280)
<i>Total Revenues</i>	<u>98,518</u>	<u>97,903</u>	<u>97,623</u>	<u>(280)</u>
<b>Expenditures</b>				
Support Services:				
Central	8,661	104,840	104,248	592
<i>Excess of Revenues Over (Under) Expenditures</i>	89,857	(6,937)	(6,625)	312
<i>Fund Balance Beginning of Year</i>	115,443	115,443	115,443	0
Prior Year Encumbrances Appropriated	<u>3,073</u>	<u>3,073</u>	<u>3,073</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$208,373</u></u>	<u><u>\$111,579</u></u>	<u><u>\$111,891</u></u>	<u><u>\$312</u></u>

See accompanying notes to the basic financial statements

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Educational Service Center  
Washington County  
115 Victory Place  
Marietta, Ohio 45750

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Washington County, Ohio (the Center), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 22, 2008, wherein we noted the Center uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Center's management in a separate letter dated February 22, 2008.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-001.

The Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Center's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management and Governing Board. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 22, 2008

EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2007 AND 2006

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

FINDING NUMBER 2007-001

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the Center to file its annual financial report pursuant to generally accepted accounting principles. However, the Center prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the Center take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**Officials' Response:** The Center officials feel the additional time and cost are not justified.

**EDUCATIONAL SERVICE CENTER  
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2005-001	A material noncompliance citation was issued under Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not reporting on a GAAP basis.	No	Not Corrected:  This issue is repeated in the current audit Schedule of Findings as item 2007-001.



**Mary Taylor, CPA**  
Auditor of State

**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  
MARCH 18, 2008**