



**Auditor of State
Betty Montgomery**

**EDUCATIONAL SERVICE CENTER
WASHINGTON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center
Washington County
21742 State Route 676
Marietta, Ohio 45750

To the Board of Education:

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, 2005 and 2004, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Service 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 that our audit provides a reasonable basis for our opinions.

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 modified 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, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Washington County, as of June 30, 2005 and 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and the Bus Driver Training Fund for the years then ended in conformity with the basis of accounting described in Note 2.

For the fiscal year ended June 30, 2004, the Center revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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 result of our audit

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 26, 2005

Washington County Educational Service Center, Ohio

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

The discussion and analysis of the Washington County Educational Service Center's financial performance provides an overall review of the Center's financial activities for the fiscal years ended June 30, 2005 and 2004. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$81,991.
- General receipts accounted for \$668,199 in receipts or 29% of all receipts. Program specific cash receipts in the form of charges for services, grants and contributions accounted for \$1,672,976 or 71% of total receipts of \$2,341,175.
- The Center had \$2,423,166 in disbursements related to governmental activities; \$1,672,976 of these disbursements was offset by program specific charges for services, grants and contributions. General revenues of \$668,199 were not adequate to provide for these programs by \$81,991.
- The Center's major funds were the General Fund and the Bus Driver Training Fund. The General Fund had \$2,003,059 in receipts and \$2,082,651 in disbursements. The General Fund's balance decreased \$79,392 during the fiscal year. The Bus Driver Training Fund had \$96,224 in receipts and \$96,332 in disbursements. The Bus Driver Training Fund's balance decreased \$108 during the fiscal year.

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$176,718.
- General receipts accounted for \$694,717 in receipts or 28% of all receipts. Program specific cash receipts in the form of charges for services, grants and contributions accounted for \$1,800,803 or 72% of total receipts of \$2,495,520.
- The Center had \$2,672,238 in disbursements related to governmental activities; \$1,800,803 of these disbursements was offset by program specific charges for services, grants and contributions. General revenues of \$694,717 were not adequate to provide for these programs by \$176,718.
- The Center's major funds were the General Fund and the Bus Driver Training Fund. The General Fund had \$2,156,580 in receipts and \$2,324,473 in disbursements. The General Fund's balance decreased \$160,368 during the fiscal year. The Bus Driver Training Fund had \$100,413 in receipts and \$100,475 in disbursements. The Bus Driver Training Fund's balance decreased \$62 during the fiscal year.

Washington County Educational Service Center, Ohio

*Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited*

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 Educational Service 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 – Modified Cash Basis and Statement of Activities – Modified 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 School District as a Whole

Statement of Net Assets – Modified Cash Basis and Statement of Activities – Modified Cash Basis

While this document contains information about the large number of funds used by the Center to provide programs and activities for students and member school districts, a view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal years 2005 and 2004?" The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified 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.

In the Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified 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 School District'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 funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the General Fund and the Bus Driver Training Fund.

Governmental Funds All 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 modified 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 programs.

Washington County Educational Service Center, Ohio

*Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited*

The School District as a Whole

Recall that the Statement of Net Assets – Modified Cash Basis provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2005 compared to 2004 and 2004 compared to 2003.

Table 1
Net Assets - Modified Cash Basis

	Governmental Activities		
	2005	2004	2003
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$853,886</u>	<u>\$935,877</u>	<u>\$1,112,595</u>
Net Assets			
Restricted	185,132	187,731	202,458
Unrestricted	<u>668,754</u>	<u>748,146</u>	<u>910,137</u>
Total Net Assets	<u>\$853,886</u>	<u>\$935,877</u>	<u>\$1,112,595</u>

The above table reflects a decrease in net assets of \$81,991 from 2004 to 2005 and a decrease in net assets of \$176,718 from 2003 to 2004. In 2005, 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. In 2004, the predominant factor in the decrease in net assets was the Center's decision to purchase a facility during the fiscal year, which resulted in an outlay in excess of \$300,000. Also, increased cost of operations of the Center's core office staff and unit funded positions while State foundation funding decreased as part of the Governor's budget cuts also contributed to the decrease in net assets.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005, as compared to 2004. Since 2004 was the first year the Center has prepared financial statements following GASB Statement 34 under the cash method, receipt and disbursement comparisons to fiscal year 2003 are not available.

Washington County Educational Service Center, Ohio

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

Table 2
Changes in Net Assets

	2005	2004
Receipts		
Program Cash Receipts		
Charges for Services	\$1,284,523	\$1,439,026
Operating Grants and Contributions	388,453	361,777
Total Program Cash Receipts	<u>1,672,976</u>	<u>1,800,803</u>
General Receipts		
Grants and Entitlements	655,346	676,883
Investment Earnings	12,458	8,146
Receipts from Sale of Capital Assets	200	7,525
Miscellaneous	195	2,163
Total General Receipts	<u>668,199</u>	<u>694,717</u>
Total Receipts	<u>2,341,175</u>	<u>2,495,520</u>
Program Disbursements		
Instruction:		
Regular	111,879	123,367
Special	763,167	748,666
Adult/Continuing	3,464	5,059
Support Services:		
Pupils	352,385	296,668
Instructional Staff	691,122	687,017
Board of Education	15,954	14,641
Administration	90,469	93,364
Fiscal	79,400	88,489
Operation and Maintenance of Plant	69,102	75,545
Pupil Transportation	816	2,533
Central	154,806	163,792
Operation of Non-Instructional Services	7,377	7,261
Capital Outlay	31,551	311,580
Intergovernmental	51,674	54,256
Total Disbursements	<u>2,423,166</u>	<u>2,672,238</u>
Increase in Net Assets	<u>(\$81,991)</u>	<u>(\$176,718)</u>

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. There were no major changes in the types of services provided; however, the cost of maintaining a facility should be noted by the reader.

Washington County Educational Service Center, Ohio

*Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
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The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by unrestricted State entitlements. Comparisons to 2004 have also been made. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Program Disbursements				
Instruction:				
Regular	\$111,879	(\$39,597)	\$123,367	(\$16,841)
Special	763,167	213,617	748,666	4,124
Adult/Continuing	3,464	2,761	5,059	(954)
Support Services:				
Pupils	352,385	64,326	296,668	93,175
Instructional Staff	691,122	302,410	687,017	341,977
Board of Education	15,954	15,954	14,641	14,641
Administration	90,469	60,086	93,364	72,955
Fiscal	79,400	53,500	88,489	67,865
Operation and Maintenance of Plant	69,102	33,225	75,545	458
Pupil Transportation	816	(16)	2,533	(2,147)
Central	154,806	5,549	163,792	(15,982)
Operation of Non-Instructional Services	7,377	7,377	7,261	4,876
Capital Outlay	31,551	31,551	311,580	311,580
Intergovernmental	51,674	(553)	54,256	(4,292)
Total	\$2,423,166	\$750,190	\$2,672,238	\$871,435

As the table shows, the Center receives enough in charges for services and/or operating grants and contributions to support the regular and adult/continuing instruction programs along with the transportation of pupils and pass-thru activities (intergovernmental). That is, these programs are self-supporting. The Center supplements the cost of other 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.

Washington County Educational Service Center, Ohio

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

The Center Funds

The Center's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$2,340,975 and \$2,487,995 and disbursements of \$2,423,166 and \$2,672,238 for 2005 and 2004, respectively. In 2005, the General Fund had a decrease in fund balance of \$79,392 due to the Center providing certain services to Districts without charging back the shortfall of funds inherent with state funded positions. In 2004, the General Fund has a decrease in fund balance of \$160,368 due to a combination of factors. Even though there was a reduction of disbursements, receipts also decreased in both years. The Bus Driver Training Fund also had a decrease in fund balance of only \$108 and \$62 for 2005 and 2004, respectively. This program, as other State funded programs, received a cut during both fiscal years 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 2005 and 2004, 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 in 2005, budget basis receipts were \$2,003,059, below original estimates of \$2,021,324. The \$18,265 difference was mainly due to the amount received from the Community Alternative Funding System program. Budget basis disbursements were \$79,951 below original appropriations.

For the General Fund in 2004, budget basis receipts were \$2,156,044, above original estimates of \$1,970,884. The \$185,160 difference was mainly due to an agreement with County Commissioners to "budget out" their three remaining years' obligation for office space (\$38,601); charging rent (\$21,635) for programs housed within the Center's facilities; a donation of \$6,500; and a settlement of delinquent charges for services provided to Marietta City School District (\$104,430). Budget basis disbursements were only \$12,583 above original appropriations.

The School District's ending unobligated General Fund balance was \$567,921 for 2005 and \$629,855 for 2004.

Capital Assets

The Center does not track capital assets for financial reporting purposes.

During the 2005 fiscal year, we were approached by local church officials about renting our facility to use as they were overcrowded and wanted to expand and possibly build a new larger church. After negotiating the terms of the contract, the church became our tenant on each Sunday beginning in March 2005. The rental income has helped to provide for upkeep of the facility; and the church members have paid for several student events.

Washington County Educational Service Center, Ohio

Management's Discussion and Analysis
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Plumbing and boiler repairs were necessary due to the age of the structure, and the boiler replacement project began in June after students left for summer. We anticipate replacement of exterior doors on the rear side of the building due to damage caused by weather.

During fiscal year 2004, the Center purchased the former Fairview School building at Victory Place from Marietta City School District for \$300,000. This building was used to house one of our special education programs for several years. With the decision by Marietta City School District to place their facility on the market, several factors were critical in the decision to purchase the building. The Central location within the County (thereby making transportation of the students more affordable and convenient for the districts served), the availability of related services for the programs, the physical condition of the building, and the support of the districts from which our "customer base" originates. Also considered during this time of transition was the change in Statute which relieved the County Commissioners from providing office space to the Center.

Several costs were incurred to ready the building to accommodate additional staff and programs for the upcoming fiscal school year, 2003-2004, thereby increasing the true cost of the building to \$301,445. Two used boilers were also purchased during the fiscal year to replace the existing system at a delivered cost of \$6,100. Work to remove the existing system, incorporate these two boilers into the system, and providing monitoring services for 5 years was scheduled to begin during the summer of 2005 at a cost of \$67,594.

The Center also purchased \$6,010 in computer equipment and a camera, which was funded by a generous donation from the Dana Corporation. As part of professional development, PDA's were purchased for those staff that attended training on using the devices in an academic setting.

Three driver's education vehicles were disposed of during fiscal year 2004 due to the discontinuance of the service. One additional vehicle, which needed major repairs, was also retired.

Current Financial Related Activities

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

Fiscal year 2005 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.

The Commercial Driver License (CDL) test site was closed during the year because of a move by the State to resume control of the testing of drivers. We had limited tests to only bus drivers during fiscal year 2004, however, after the site was completely closed, bus drivers must travel to the nearest test facility in Cambridge, Ohio. Two part-time employees' contracts were not renewed as a result.

Our programs continue to be heavily utilized by the Districts, and the need for additional early childhood education continues to grow.

Washington County Educational Service Center, Ohio

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2005 and 2004
Unaudited

With the purchase of a facility in fiscal year 2004 to house several of our programs, we have made a long-term commitment to our districts and brought more opportunities for shared resources for our staff and students.

We continually monitor those legislative actions which effect public education, and respond rapidly to adjust our way of doing business to accommodate those changes.

Contacting the Center's Financial Management

This financial report is designed to provide our citizen's, 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.

Washington County Educational Service Center, Ohio

Statement of Net Assets - Modified Cash Basis

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$853,886</u>
Net Assets	
Restricted for:	
Unclaimed Monies	1,623
Other Purposes	183,509
Unrestricted	<u>668,754</u>
<i>Total Net Assets</i>	<u>\$853,886</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Activities - Modified Cash Basis

For the Fiscal Year Ended June 30, 2005

	Cash Disbursements	Program Cash Receipts		Net (Disbursements)
		Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$111,879	\$95,200	\$56,276	\$39,597
Special	763,167	548,638	912	(213,617)
Adult/Continuing	3,464	0	703	(2,761)
Support Services:				
Pupils	352,385	230,978	57,081	(64,326)
Instructional Staff	691,122	272,329	116,383	(302,410)
Board of Education	15,954	0	0	(15,954)
Administration	90,469	24,924	5,459	(60,086)
Fiscal	79,400	24,926	974	(53,500)
Operation and Maintenance of Plant	69,102	29,649	6,228	(33,225)
Pupil Transportation	816	0	832	16
Central	154,806	57,879	91,378	(5,549)
Operation of Non-Instructional Services	7,377	0	0	(7,377)
Capital Outlay	31,551	0	0	(31,551)
Intergovernmental	51,674	0	52,227	553
<i>Totals</i>	<u>\$2,423,166</u>	<u>\$1,284,523</u>	<u>\$388,453</u>	<u>(750,190)</u>
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				655,346
Investment Earnings				12,458
Receipts from Sale of Capital Assets				200
Miscellaneous				195
<i>Total General Receipts</i>				<u>668,199</u>
<i>Change in Net Assets</i>				(81,991)
<i>Net Assets Beginning of Year</i>				<u>935,877</u>
<i>Net Assets End of Year</i>				<u><u>\$853,886</u></u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

June 30, 2005

	General	Bus Driver Training Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$670,377	\$118,516	\$64,993	\$853,886
<i>Total Assets</i>	<u>\$670,377</u>	<u>\$118,516</u>	<u>\$64,993</u>	<u>\$853,886</u>
Fund Balances				
Reserved for Encumbrances	\$102,456	\$3,073	\$36,837	\$142,366
Reserved for Unclaimed Monies	1,623	0	0	1,623
Unreserved, Undesignated, Reported in:				
General Fund	566,298	0	0	566,298
Special Revenue Funds	0	115,443	28,156	143,599
<i>Total Fund Balances</i>	<u>\$670,377</u>	<u>\$118,516</u>	<u>\$64,993</u>	<u>\$853,886</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2005

	General	Bus Driver Training Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$710,729	\$91,378	\$241,692	\$1,043,799
Investment Earnings	12,458	0	0	12,458
Customer Services	1,245,862	4,846	0	1,250,708
Tuition and Fees	7,062	0	0	7,062
Miscellaneous	26,948	0	0	26,948
<i>Total Receipts</i>	<u>2,003,059</u>	<u>96,224</u>	<u>241,692</u>	<u>2,340,975</u>
Disbursements				
Current:				
Instruction:				
Regular	57,800	0	54,079	111,879
Special	763,167	0	0	763,167
Adult/Continuing	0	0	3,464	3,464
Support Services:				
Pupils	350,877	0	1,508	352,385
Instructional Staff	574,218	0	116,904	691,122
Board of Education	15,954	0	0	15,954
Administration	82,601	0	7,868	90,469
Fiscal	78,347	0	1,053	79,400
Operation and Maintenance of Plant	63,207	0	5,895	69,102
Pupil Transportation	816	0	0	816
Central	58,474	96,332	0	154,806
Operation of Non-Instructional Services	5,639	0	1,738	7,377
Capital Outlay	31,551	0	0	31,551
Intergovernmental	0	0	51,674	51,674
<i>Total Disbursements</i>	<u>2,082,651</u>	<u>96,332</u>	<u>244,183</u>	<u>2,423,166</u>
<i>Excess of Receipts Under Disbursements</i>	(79,592)	(108)	(2,491)	(82,191)
Other Financing Sources				
Sale of Capital Assets	200	0	0	200
<i>Net Change in Fund Balance</i>	(79,392)	(108)	(2,491)	(81,991)
<i>Fund Balances Beginning of Year</i>	<u>749,769</u>	<u>118,624</u>	<u>67,484</u>	<u>935,877</u>
<i>Fund Balances End of Year</i>	<u><u>\$670,377</u></u>	<u><u>\$118,516</u></u>	<u><u>\$64,993</u></u>	<u><u>\$853,886</u></u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio
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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$710,703	\$710,729	\$710,729	\$0
Investment Earnings	8,000	11,072	12,458	1,386
Customer Services	1,268,702	1,245,554	1,245,862	308
Tuition and Fees	4,750	7,062	7,062	0
Miscellaneous	29,169	26,948	26,948	0
<i>Total Revenues</i>	2,021,324	2,001,365	2,003,059	1,694
Expenditures				
Current:				
Instruction:				
Regular	62,029	58,887	58,887	0
Special	792,007	765,241	765,237	4
Support Services:				
Pupils	321,430	357,776	357,751	25
Instructional Staff	634,691	595,046	595,035	11
Board of Education	19,355	16,956	16,956	0
Administration	103,536	91,184	91,101	83
Fiscal	104,077	87,333	87,333	0
Operation and Maintenance of Plant	88,222	70,494	70,498	(4)
Pupil Transportation	2,754	1,113	1,113	0
Central	122,262	129,266	93,776	35,490
Operation of Non-Instructional Services	6,333	5,673	5,699	(26)
Capital Outlay	58,142	55,896	41,721	14,175
<i>Total Expenditures</i>	2,314,838	2,234,865	2,185,107	49,758
<i>Excess of Revenues Under Expenditures</i>	(293,514)	(233,500)	(182,048)	51,452
Other Financing Sources (Uses)				
Sale of Capital Assets	100	200	200	0
Advances In	1,000	0	0	0
Advances Out	(1,020)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	80	200	200	0
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(293,434)	(233,300)	(181,848)	51,452
<i>Fund Balance Beginning of Year</i>	629,855	629,855	629,855	0
Prior Year Encumbrances Appropriated	119,914	119,914	119,914	0
<i>Fund Balance End of Year</i>	\$456,335	\$516,469	\$567,921	\$51,452

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio
Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Bus Driver Training Special Revenue Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$90,500	\$91,378	\$91,378	\$0
Customer Services	7,850	4,846	4,846	0
<i>Total Revenues</i>	98,350	96,224	96,224	0
Expenditures				
Support Services:				
Central	108,326	99,390	99,405	(15)
<i>Excess of Revenues Over/(Under) Expenditures</i>	(9,976)	(3,166)	(3,181)	(15)
<i>Fund Balance Beginning of Year</i>	115,289	115,289	115,289	0
Prior Year Encumbrances Appropriated	3,335	3,335	3,335	0
<i>Fund Balance End of Year</i>	<u>\$108,648</u>	<u>\$115,458</u>	<u>\$115,443</u>	<u>(\$15)</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Net Assets - Modified Cash Basis

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$935,877</u>
Net Assets	
Restricted for:	
Unclaimed Monies	1,623
Other Purposes	186,108
Unrestricted	<u>748,146</u>
<i>Total Net Assets</i>	<u>\$935,877</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Activities - Modified Cash Basis

For the Fiscal Year Ended June 30, 2004

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$123,367	\$91,650	\$48,558	\$16,841
Special	748,666	742,683	1,859	(4,124)
Adult/Continuing	5,059	0	6,013	954
Support Services:				
Pupils	296,668	162,422	41,071	(93,175)
Instructional Staff	687,017	245,389	99,651	(341,977)
Board of Education	14,641	0	0	(14,641)
Administration	93,364	20,409	0	(72,955)
Fiscal	88,489	20,410	214	(67,865)
Operation and Maintenance of Plant	75,545	67,667	7,420	(458)
Pupil Transportation	2,533	0	4,680	2,147
Central	163,792	88,396	91,378	15,982
Operation of Non-Instructional Services	7,261	0	2,385	(4,876)
Capital Outlay	311,580	0	0	(311,580)
Intergovernmental	54,256	0	58,548	4,292
<i>Totals</i>	<u>\$2,672,238</u>	<u>\$1,439,026</u>	<u>\$361,777</u>	<u>(871,435)</u>
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				676,883
Investment Earnings				8,146
Receipts from Sale of Capital Assets				7,525
Miscellaneous				2,163
<i>Total General Receipts</i>				<u>694,717</u>
<i>Change in Net Assets</i>				(176,718)
<i>Net Assets Beginning of Year</i>				<u>1,112,595</u>
<i>Net Assets End of Year</i>				<u>\$935,877</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

June 30, 2004

	General	Bus Driver Training Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$749,769	\$118,624	\$67,484	\$935,877
<i>Total Assets</i>	<u>\$749,769</u>	<u>\$118,624</u>	<u>\$67,484</u>	<u>\$935,877</u>
Fund Balances				
Reserved for Encumbrances	\$119,914	\$3,335	\$32,020	\$155,269
Reserved for Unclaimed Monies	1,623	0	0	1,623
Unreserved, Undesignated, Reported in:				
General Fund	628,232	0	0	628,232
Special Revenue Funds	<u>0</u>	<u>115,289</u>	<u>35,464</u>	<u>150,753</u>
<i>Total Fund Balances</i>	<u>\$749,769</u>	<u>\$118,624</u>	<u>\$67,484</u>	<u>\$935,877</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2004

	General	Bus Driver Training Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$716,284	\$91,378	\$230,998	\$1,038,660
Investment Earnings	8,146	0	0	8,146
Customer Services	1,353,560	9,035	0	1,362,595
Tuition and Fees	7,402	0	0	7,402
Miscellaneous	71,188	0	4	71,192
<i>Total Receipts</i>	<u>2,156,580</u>	<u>100,413</u>	<u>231,002</u>	<u>2,487,995</u>
Disbursements				
Current:				
Instruction:				
Regular	65,536	0	57,831	123,367
Special	740,011	0	8,655	748,666
Adult/Continuing	0	0	5,059	5,059
Support Services:				
Pupils	295,169	0	1,499	296,668
Instructional Staff	580,100	0	106,917	687,017
Board of Education	14,641	0	0	14,641
Administration	90,798	0	2,566	93,364
Fiscal	87,469	0	1,020	88,489
Operation and Maintenance of Plant	68,662	0	6,883	75,545
Pupil Transportation	1,512	0	1,021	2,533
Central	63,317	100,475	0	163,792
Operation of Non-Instructional Services	5,678	0	1,583	7,261
Capital Outlay	311,580	0	0	311,580
Intergovernmental	0	0	54,256	54,256
<i>Total Disbursements</i>	<u>2,324,473</u>	<u>100,475</u>	<u>247,290</u>	<u>2,672,238</u>
<i>Excess of Receipts Under Disbursements</i>	(167,893)	(62)	(16,288)	(184,243)
Other Financing Sources				
Sale of Capital Assets	7,525	0	0	7,525
<i>Net Change in Fund Balance</i>	(160,368)	(62)	(16,288)	(176,718)
<i>Fund Balances Beginning of Year</i>	910,137	118,686	83,772	1,112,595
<i>Fund Balances End of Year</i>	<u>\$749,769</u>	<u>\$118,624</u>	<u>\$67,484</u>	<u>\$935,877</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio
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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$730,439	\$776,610	\$716,284	(\$60,326)
Investment Earnings	20,000	8,100	8,146	46
Customer Services	1,171,825	1,353,069	1,353,560	491
Tuition and Fees	39,000	7,403	7,402	(1)
Miscellaneous	9,620	8,703	70,652	61,949
<i>Total Revenues</i>	<u>1,970,884</u>	<u>2,153,885</u>	<u>2,156,044</u>	<u>2,159</u>
Expenditures				
Current:				
Instruction:				
Regular	81,943	66,822	66,354	468
Special	767,895	746,688	741,438	5,250
Support Services:				
Pupils	288,882	305,238	303,023	2,215
Instructional Staff	565,310	602,270	597,978	4,292
Board of Education	18,362	15,909	15,799	110
Administration	98,380	99,847	99,205	642
Fiscal	109,032	95,935	95,284	651
Operation and Maintenance of Plant	74,469	74,779	74,300	479
Pupil Transportation	4,022	1,522	1,512	10
Central	94,184	109,449	109,032	417
Operation of Non-Instructional Services	7,733	5,974	5,935	39
Capital Outlay	318,820	334,149	331,755	2,394
<i>Total Expenditures</i>	<u>2,429,032</u>	<u>2,458,582</u>	<u>2,441,615</u>	<u>16,967</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(458,148)</u>	<u>(304,697)</u>	<u>(285,571)</u>	<u>19,126</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	100	7,525	7,525	0
Refund of Prior Year Disbursements	1,000	2,015	2,015	0
Refund of Prior Year Receipts	0	(4,282)	(4,250)	32
<i>Total Other Financing Sources (Uses)</i>	<u>1,100</u>	<u>5,258</u>	<u>5,290</u>	<u>32</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(457,048)</u>	<u>(299,439)</u>	<u>(280,281)</u>	<u>19,158</u>
<i>Fund Balance Beginning of Year</i>	778,729	778,729	778,729	0
Prior Year Encumbrances Appropriated	131,407	131,407	131,407	0
<i>Fund Balance End of Year</i>	<u>\$453,088</u>	<u>\$610,697</u>	<u>\$629,855</u>	<u>\$19,158</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio
Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Bus Driver Training Special Revenue Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$0	\$91,378	\$91,378	\$0
Customer Services	350	9,034	9,034	0
<i>Total Revenues</i>	350	100,412	100,412	0
Expenditures				
Support Services:				
Central	17,307	103,809	103,810	(1)
<i>Excess of Revenues Over/(Under) Expenditures</i>	(16,957)	(3,397)	(3,398)	(1)
<i>Fund Balance Beginning of Year</i>	117,027	117,027	117,027	0
Prior Year Encumbrances Appropriated	1,660	1,660	1,660	0
<i>Fund Balance End of Year</i>	<u>\$101,730</u>	<u>\$115,290</u>	<u>\$115,289</u>	<u>(\$1)</u>

See accompanying notes to the basic financial statements

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

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 Educational Service 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 27 support staff employees and 31 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 Plan. These organizations are presented in Notes 13 and 14 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 modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 following is the Center's major governmental funds:

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

General 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.

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.

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 taxes, intergovernmental receipts or other nonexchange transactions.

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 modified cash basis or draws from the Center's general receipts.

Fund Financial Statements: During both fiscal years, the Center segregated 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 modified 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.

Washington County Educational Service Center, Ohio

Notes to the Basic Financial Statements For the Fiscal Years Ended June 30, 2005 and 2004

As a result of the use of this modified 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.

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 2005 and 2004, 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, 2005 and 2004.

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 2005 was \$12,458, including \$3,022 assigned from other Center funds. Interest receipts credited to the General Fund during fiscal year 2004 was \$8,146, including \$1,915 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, 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.

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

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. 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 \$185,132 and \$187,731 of restricted net assets for 2005 and 2004, 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

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.

The statements report interfund loans as advances when made or repaid. Note 7 lists unpaid advances.

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.

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

The level of control has been established by the Board of Education 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.

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 – Budgetary Basis presented for the General Fund (and each major special revenue 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 modified cash basis are outstanding year end encumbrances treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified 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 (modified cash basis).

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

	<u>2005</u>	<u>2004</u>
General Fund	\$102,456	\$119,914
Bus Driver Training Fund	3,073	3,335

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 Board of Education 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:

1. United States Treasury Notes, Bill, 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;

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

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 years end 2005 and 2004, none of the Center's bank balances of \$436,258 and \$508,458, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

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.

Investments As of June 30, 2005 and 2004, the Center had an investment in STAROhio. The carrying and fair value of this investment was \$461,932 and \$452,610, respectively, with an average maturity of sixty days. 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 - Changes in Accounting Principles

For the fiscal year ended June 30, 2004, the Center revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Washington County Educational Service Center, Ohio

Notes to the Basic Financial Statements For the Fiscal Years Ended June 30, 2005 and 2004

For fiscal years 2005 and 2004, the Center has implemented GASB Statement No. 40 “Deposit and Investment Risk Disclosures”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation,” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40, GASB Statement No. 46, and GASB Technical Bulletin No. 2004-2 had no effect on the Center’s financial statements for fiscal years 2005 and 2004.

Note 6 - 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⁽¹⁾ 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⁽²⁾ 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, 2005 and 2004*

Note 7 - Interfund Balances

At both fiscal years end, the Miscellaneous Federal Grants Special Revenue Fund owed the General Fund \$1,000 until the receipt of the grant monies.

Note 8 - 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 2005 and 2004, 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 14).

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	1,452,200
Crime Insurance (\$250 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 2005 and 2004, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 14). 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.

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

Note 9 - 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, or by calling (614) 227-4090.

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, 2005 and 2004, plan members were required to contribute 10 percent of their annual covered salaries. For fiscal year 2005, the Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, 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% for members and 14% 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 the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$152,946, \$142,144, and \$160,609, respectively; 89.41 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal years 2005 and 2004 were \$169 made by the Center and \$165 made by the plan members.

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

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, or by calling (614) 222-5853.

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; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$35,680, \$29,594, and \$46,718, respectively; 2.48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005 and 2004, no members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

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

STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal years ended June 30, 2005 and 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$10,934 for fiscal years 2005 and 2004 combined.

Washington County Educational Service Center, Ohio

Notes to the Basic Financial Statements For the Fiscal Years Ended June 30, 2005 and 2004

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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 premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005 and 2004, the minimum pay was established at \$27,400 and \$24,500, respectively. For the 2005 and 2004 fiscal years, the Center paid a total of \$21,398 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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, 2005 and 2004, will not have a material adverse effect on the Center.

B. Litigation

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

Note 12 - State School Funding Decision

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "... The Ohio General Assembly to enact a school-funding scheme that is thorough and efficient ..."

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

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

Note 13 - 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 34 participants consisting of 30 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 2005, the Center paid \$2,183 to SEOVEC. During fiscal year 2004, the Center paid \$4,690 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, Mary Bee, 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 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The 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 2005 and 2004.

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 2005, the Center paid \$1,508 to SEOSERRC. During fiscal year 2004, the Center paid \$1,499 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Washington County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004*

Note 14 - Insurance Purchasing Pools

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 15 – Subsequent Event

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 for 60 months, with the first payment due in July 2005. The amount paid to Johnson Controls will be \$78,208 over the life of the contract. The agreement will include: removing the existing boilers, installing two used boilers, installing new boiler controls, and 16 hours of mechanic time per year for five years.

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Auditor of State Betty Montgomery

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
21742 State Route 676
Marietta, Ohio 45750

To the Board of Education:

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, 2005 and 2004, which collectively comprise the Center's basic financial statements and have issued our report thereon dated October 26, 2005, wherein we noted the Center uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Center's management dated October 26, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Center's basic 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 that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001.

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Educational Service Center
Washington County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 26, 2005

**EDUCATIONAL SERVICE CENTER
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. Cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. GAAP-basis entities must file annual reports within 150 days. 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 Administrative 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 in accordance with generally accepted accounting principles. However, for the fiscal years ending June 30, 2005 and 2004, 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 can be fined and/or subjected 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 and filed pursuant to generally accepted accounting principles, and that this report be filed with the Auditor of State within 150 days of the Center's fiscal year end.



**Auditor of State
Betty Montgomery**

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WASHINGTON CO. 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
DECEMBER 15, 2005**