



Dave Yost • Auditor of State

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Western Buckeye Educational Service Center
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

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 Western Buckeye Educational Service Center, Paulding County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2010, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Western Buckeye Educational Service Center, Paulding County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2011, on our consideration of the Educational Service 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.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.auditor.state.oh.us

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Educational Service Center's basic financial statements taken as a whole. The schedules of revenue, expenditures and changes in fund balance – budget and actual provide additional information and are not a required part of the basic financial statements. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedules of revenue, expenditures and changes in fund balance – budget and actual and federal awards receipts and expenditures schedule are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 24, 2011

Western Buckeye Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Western Buckeye Educational Service Center's (the Educational Service Center) financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

Total net assets decreased \$120,476 from the prior fiscal year (over 22 percent). For fiscal year 2010, there was an 8 percent decrease in revenues, generally due to fewer State foundation resources and a reduction in grant revenues, and an 8 percent decrease in expenses as grant related program expenses were reduced with the reduction in grants. However, as total expenses continued to outpace revenues, there was a decrease in net assets.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Western Buckeye Educational Service Center as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for spending in the near future. The fund financial statements also look at the Educational Service Center's most significant funds, with all other nonmajor funds presented in total in a single column. For Western Buckeye Educational Service Center, the General Fund and the Title VI-B and American History special revenue funds are the most significant funds.

Reporting the Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Educational Service Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the Educational Service Center's activities are reported as governmental activities including instruction, support services, non-instructional services, and intergovernmental activities.

Western Buckeye Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major funds are the General Fund and the Title VI-B and American History special revenue funds.

Governmental Funds - All of the Educational Service Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Educational Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Educational Service Center's programs. These funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2010 and fiscal year 2009:

Table 1 Net Assets			
Governmental Activities			
	2010	2009	Change
<u>Assets:</u>			
Current and Other Assets	\$1,007,212	\$1,080,195	(\$72,983)
Capital Assets, Net	197,102	201,853	(4,751)
Total Assets	1,204,314	1,282,048	(77,734)
<u>Liabilities:</u>			
Current and Other Liabilities	\$570,692	\$530,146	(\$40,546)
Long-Term Liabilities	218,704	216,508	(2,196)
Total Liabilities	789,396	746,654	(42,742)
<u>Net Assets:</u>			
Invested in Capital Assets	197,102	201,853	(4,751)
Restricted	9,576	9,402	174
Unrestricted	208,240	324,139	(115,899)
Total Net Assets	\$414,918	\$535,394	(\$120,476)

A review of the above table reveals few changes of note. The decrease in current and other assets is primarily due to a decrease in intergovernmental receivables; less amounts outstanding and due from school districts and fewer grant receivables. The increase in current and other liabilities is largely due to routine salary and benefit related increases as well as the deferred portion of the intergovernmental receivables. The combination of these two factors led to the overall decrease in unrestricted net assets.

Western Buckeye Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

	Governmental Activities		Change
	2010	2009	
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$3,348,607	\$3,217,626	\$130,981
Operating Grants and Contributions	2,146,786	2,776,105	(629,319)
Total Program Revenues	<u>5,495,393</u>	<u>5,993,731</u>	<u>(498,338)</u>
General Revenues			
Grants and Entitlements	110,323	110,193	130
Interest	8,495	23,183	(14,688)
Gifts and Donations		50	(50)
Miscellaneous	724	4,450	(3,726)
Total General Revenues	<u>119,542</u>	<u>137,876</u>	<u>(18,334)</u>
Total Revenues	<u>5,614,935</u>	<u>6,131,607</u>	<u>(516,672)</u>
<u>Expenses:</u>			
<u>Instruction:</u>			
Regular	\$843,818	\$1,266,697	\$422,879
Special	1,833,196	1,819,661	(13,535)
<u>Support Services:</u>			
Pupils	1,144,823	1,054,385	(90,438)
Instructional Staff	818,657	963,880	145,223
Board of Education	53,535	52,902	(633)
Administration	435,585	448,423	12,838
Fiscal	122,217	126,783	4,566
Operation and Maintenance of Plant	11,160	11,795	635
Central	56,043	54,740	(1,303)
Non-Instructional Services	75	2,875	2,800
Intergovernmental	416,302	407,530	(8,772)
Total Expenses	<u>5,735,411</u>	<u>6,209,671</u>	<u>474,260</u>
Decrease in Net Assets	(120,476)	(78,064)	(42,412)
Net Assets at Beginning of Year	<u>535,394</u>	<u>613,458</u>	<u>(78,064)</u>
Net Assets at End of Year	<u>\$414,918</u>	<u>\$535,394</u>	<u>(120,476)</u>

Program revenues continue to make up a significant portion of the Educational Service Center's total revenues (98 percent for fiscal year 2010 and 98 percent for fiscal year 2009). For fiscal year 2010, there was an 8 percent decrease in program revenues due to less State foundation resources, no CAFS revenue, and fewer grants. General revenues decreased due to a decrease in interest revenue, a reflection of the current economic conditions.

There was also an 8 percent decrease in expenses, primarily reflected in the regular instruction and instructional staff programs. With fewer grant resources, reductions were made in these programs (largely related to the American History grant and the Ohio Core grant).

However, note that program expenses exceeded available revenues in fiscal year 2010 leading to the reduction in total net assets.

Western Buckeye Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$843,818	\$1,266,697	(\$474,904)	(\$586,545)
Special	1,833,196	1,819,661	(1,875,193)	(1,873,659)
Support Services:				
Pupils	1,144,823	1,054,385	1,144,823	1,054,385
Instructional Staff	818,657	963,880	772,104	911,404
Board of Education	53,535	52,902	53,535	52,902
Administration	435,585	448,423	435,585	448,423
Fiscal	122,217	126,783	122,217	126,783
Operation and Maintenance of Plant	11,160	11,795	11,160	11,795
Central	56,043	54,740	56,043	54,740
Non-Instructional Services	75	2,875	75	2,875
Intergovernmental	416,302	407,530	(5,427)	12,837
Total Expenses	<u>\$5,735,411</u>	<u>\$6,209,671</u>	<u>\$240,018</u>	<u>\$215,940</u>

As indicated previously, a significant portion of the Educational Service Center's program costs are provided for through program revenues, that being charges for programs provided by the Educational Service Center to school districts served by the Educational Service Center and from various grant resources.

Expenses for paraprofessionals (teacher aides) are included in the instructional staff support services program. In contrast, instructional programs are charged to school districts and recorded by the Educational Service Center as charges for services revenue for activities related to regular and special instruction. Therefore, the instruction programs appear to be over funded while the instructional staff support services program seems to be quite under funded. Some expenses within the pupils support services program are also charged to school districts with the revenue recorded by the Educational Service Center as charges for services for activities related to special instruction.

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2010, fund balance in the General Fund decreased 19 percent. While revenues remained similar to those of the prior fiscal year, expenditures increased slightly (4 percent). Much of this increase can be attributed to routine wage and benefit related increases. Both the Title VI-B and American History funds are funded by grant resources; however, expenditures exceeded revenues in the Title VI-B fund in fiscal year 2010.

Capital Assets

At June 30, 2010, the Educational Service Center had \$197,102 invested in capital assets (net of accumulated depreciation), a decrease from fiscal year 2009 and due to annual depreciation. For further information regarding the Educational Service Center's capital assets, refer to Note 9 to the basic financial statements.

Western Buckeye Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Current Issues

Due to current economic conditions, our State foundation revenues are expected to be reduced again by 10-11 percent for fiscal year 2011, with an expectation of further reductions in fiscal year 2012. Grant funding is also expected to decrease due to closure of our second American History Grant and may result in less contracted days for staff funded by the grants. Interest earnings on investments are expected to remain the same as in fiscal year 2010 or may decrease slightly. Service contract revenue is not expected to increase or may decrease due to reduced contracted service requests from the local school districts served by the Educational Service Center. The carryover fund balance is expected to decrease due to normal increases of salaries and benefits unless offset by unexpected revenue streams (additional grants, additional service requests, etc.).

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gary Ginter, Treasurer, Western Buckeye Educational Service Center, 202 North Cherry Street, Paulding, Ohio 45879-1211.

Western Buckeye Educational Service Center
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$873,760
Intergovernmental Receivable	132,445
Accrued Interest Receivable	1,007
Nondepreciable Capital Assets	28,910
Depreciable Capital Assets, Net	168,192
Total Assets	1,204,314
 <u>Liabilities:</u>	
Accounts Payable	9,496
Accrued Wages and Benefits Payable	441,679
Intergovernmental Payable	119,517
Long-Term Liabilities:	
Due Within One Year	25,300
Due in More Than One Year	193,404
Total Liabilities	789,396
 <u>Net Assets:</u>	
Invested in Capital Assets	197,102
Restricted	9,576
Unrestricted	208,240
Total Net Assets	\$414,918

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$843,818	\$309,442	\$1,009,280
Special	1,833,196	3,017,912	690,477
Support Services:			
Pupils	1,144,823		(1,144,823)
Instructional Staff	818,657	21,253	25,300
Board of Education	53,535		(53,535)
Administration	435,585		(435,585)
Fiscal	122,217		(122,217)
Operation and Maintenance of Plant	11,160		(11,160)
Central	56,043		(56,043)
Non-Instructional Services	75		(75)
Intergovernmental	416,302		421,729
Total Governmental Activities	<u>\$5,735,411</u>	<u>\$3,348,607</u>	<u>\$2,146,786</u>

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	110,323
Interest	8,495
Miscellaneous	724
Total General Revenues	<u>119,542</u>

Change in Net Assets (120,476)

Net Assets at Beginning of Year 535,394
Net Assets at End of Year \$414,918

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2010

	General	Title VI-B	American History	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$858,152	\$9,586		\$6,022	\$873,760
Intergovernmental Receivable	69,393	39,372		23,680	132,445
Accrued Interest Receivable	1,007				1,007
Total Assets	928,552	48,958		29,702	1,007,212
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$9,496				\$9,496
Accrued Wages and Benefits Payable	367,385	\$50,418	\$637	\$23,239	441,679
Intergovernmental Payable	107,242	7,790		4,485	119,517
Deferred Revenue	916				916
Total Liabilities	485,039	58,208	637	27,724	571,608
<u>Fund Balances:</u>					
Reserved for Encumbrances	8,765			573	9,338
Unreserved, Reported in:					
General Fund	434,748				434,748
Special Revenue Funds (Deficit)		(9,250)	(637)	1,405	(8,482)
Total Fund Balances (Deficit)	443,513	(9,250)	(637)	1,978	435,604
Total Liabilities and Fund Balances	\$928,552	\$48,958		\$29,702	\$1,007,212

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2010

Total Governmental Fund Balances	\$435,604
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	197,102
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Accrued Interest Receivable	916
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(218,704)</u>
Net Assets of Governmental Activities	<u><u>\$414,918</u></u>

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Title VI-B	American History	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Intergovernmental	\$797,070	\$353,659	\$753,455	\$352,030	\$2,256,214
Interest	12,584				12,584
Tuition and Fees	182,863				182,863
Customer Services	3,165,744				3,165,744
Miscellaneous	1,619				1,619
Total Revenues	<u>4,159,880</u>	<u>353,659</u>	<u>753,455</u>	<u>352,030</u>	<u>5,619,024</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	236,710		438,244	169,454	844,408
Special	1,837,786	839			1,838,625
Support Services:					
Pupils	1,149,455				1,149,455
Instructional Staff	468,657	263	250,443	91,539	810,902
Board of Education	53,535				53,535
Administration	406,928		11,439	8,407	426,774
Fiscal	92,525		21,859	7,126	121,510
Operation and Maintenance of Plant	11,160				11,160
Central	4,003		30,832	20,883	55,718
Non-Instructional Services	75				75
Intergovernmental		355,235		61,067	416,302
Total Expenditures	<u>4,260,834</u>	<u>356,337</u>	<u>752,817</u>	<u>358,476</u>	<u>5,728,464</u>
Excess of Revenues Over (Under) Expenditures	<u>(100,954)</u>	<u>(2,678)</u>	<u>638</u>	<u>(6,446)</u>	<u>(109,440)</u>
Fund Balances (Deficit) At Beginning of Year	<u>544,467</u>	<u>(6,572)</u>	<u>(1,275)</u>	<u>8,424</u>	<u>545,044</u>
Fund Balances (Deficit) at End of Year	<u>\$443,513</u>	<u>(\$9,250)</u>	<u>(\$637)</u>	<u>\$1,978</u>	<u>\$435,604</u>

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Changes in Fund Balances - Total Governmental Funds (\$109,440)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Capital Outlay	10,667	
Depreciation	<u>(15,418)</u>	(4,751)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Interest		(4,089)
----------	--	---------

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(2,196)

Change in Net Assets of Governmental Activities

(\$120,476)

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Investment Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,785,554	\$129,995
Accrued Interest Receivable	1,919	
Total Assets	<u>1,787,473</u>	<u>\$129,995</u>
<u>Liabilities:</u>		
Undistributed Assets		<u>\$129,995</u>
<u>Net Assets:</u>		
Held in Trust for External Pool Participants	<u>\$1,787,473</u>	

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center
Statement of Change in Fiduciary Net Assets
Investment Trust Fund
For the Fiscal Year Ended June 30, 2010

<u>Additions:</u>	
Interest	<u>\$14,573</u>
Net Increase in Assets Resulting from Operations	14,573
Distributions to Participants	(26,302)
Capital Transactions	<u>222,796</u>
Change in Net Assets	<u>211,067</u>
Net Assets at Beginning of Year	<u>1,576,406</u>
Net Assets at End of Year	<u><u>\$1,787,473</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Reporting Entity

Western Buckeye Educational Service Center (the "Educational Service Center") is located in Paulding, Ohio, the county seat of Paulding County. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Antwerp, Crestview, Lincolnview, and Wayne Trace Local School Districts, the Paulding Exempted Village School District, and the Van Wert City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of one member elected from each of the four local school districts and one member elected at-large for staggered four year terms. The Educational Service Center has eleven administrators, forty-three classified employees, and forty certified teaching personnel who provide services to the local, exempted village, and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Western Buckeye Educational Service Center, this consists of general operations.

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

The Educational Service Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Northwestern Ohio Educational Research Council, Inc., Schools of Ohio Risk Sharing Authority, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. Information about these organizations is presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Western Buckeye Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Educational Service Center's accounting policies.

Note 2 - Summary of Significant Accounting Policies – (Continued)

A. Basis of Presentation

The Educational Service 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 Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Educational Service Center that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the Educational Service Center has no business-type activities.

The statement of net assets presents the financial condition of the government activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service 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 Educational Service Center at this more detailed level. The focus of governmental fund 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. Fiduciary funds are reported by type.

B. Fund Accounting

The Educational Service 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. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies – (Continued)

Governmental Funds

Governmental funds are those through which all governmental functions of the Educational Service Center are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Educational Service Center's three major funds are the General Fund and the Title VI-B Grant and American History special revenue funds.

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

Title VI-B Grant Fund - This fund accounts for federal funds provided to assist schools in the identification of handicapped children and the provision of full education opportunities to them.

American History - This fund is used to account for grant resources received through the United States Department of Education to support projects to raise student achievement by improving teacher's knowledge, understanding, and appreciation of American History.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center's only trust fund is an investment trust fund which accounts for the activity of the external investment pool, Northwest Ohio Area Computer Services Cooperative. The Educational Service Center's agency funds account for payroll and Family and Children First funds.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Educational Service Center are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The investment trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: grants, interest, tuition, fees, and customer services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Note 2 - Summary of Significant Accounting Policies – (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Investments

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

During fiscal year 2010, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2010.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$12,584, which includes \$474 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

F. Capital Assets

All of the Educational Service Center’s capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Educational Service Center maintains a capitalization threshold of one thousand dollars. The Educational Service Center does not have any infrastructure. Improvements are capitalized.

Note 2 - Summary of Significant Accounting Policies – (Continued)

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Buildings	45-50 years
Furniture, Fixtures, and Equipment	6-20 years

G. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees who have eight or more years of service with the Educational Service Center.

H. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets include federal and state grants.

The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2 - Summary of Significant Accounting Policies – (Continued)

J. Fund Balance Reserves

The Educational Service Center reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

K. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2010, these funds included the Title VI-B and Preschool special revenue funds.

L. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2010, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

Note 3 - Change in Accounting Principles – (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

Note 4 - Accountability

At June 30, 2010, the Title VI-B, American History, and Miscellaneous Federal Grants special revenue funds had deficit fund balances of \$9,250, \$637, and \$7,598, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

Monies held by the Educational Service Center are classified by State statute into three categories.

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

Inactive deposits are public deposits the Board 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 held by the Educational Service Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Note 5 - Deposits and Investments – (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$618,290 of the Educational Service Center's bank balance of \$2,237,339 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

The Educational Service 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 Educational Service 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 105 percent of the deposits being secured.

Investments

At June 30, 2010, the Educational Service Center had \$682,642 invested with STAR Ohio. These investments had an average maturity of 56 days and carry a rating of AAA by Standard and Poor's. The Educational Service Center has no policy for interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Western Buckeye Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 6 - Investment Pool

The Educational Service Center serves as fiscal agent for the Northwest Ohio Area Computer Services Cooperative (NOACSC), a legally separate entity. The Educational Service Center pools the monies of this entity with the Educational Service Center's for investment purposes. The Educational Service Center cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value of investments for both the internal and external portions of the investment pool is disclosed in Note 5 - Deposits and Investments.

Condensed financial information for the investment pool follows:

Statement of Net Assets
June 30, 2010

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,789,309
Accrued Interest Receivable	2,926
Total Assets	2,792,235
 <u>Liabilities:</u>	
Deferred Revenue	916
 <u>Net Assets Held in Trust for Pool Participants:</u>	
Internal Portion	1,003,846
External Portion	1,787,473
Total Net Assets Held in Trust for Pool Participants	\$2,791,319

Statement of Change in Net Assets
For the Fiscal Year Ended June 30, 2010

<u>Additions:</u>	
Interest	\$27,157
 <u>Deductions:</u>	
Distributions to Participants	(43,845)
Capital Transactions	236,860
	220,172
Change in Net Assets	220,172
Net Assets at Beginning of Year	2,571,147
Net Assets at End of Year	\$2,791,319

Western Buckeye Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 7 - State Funding

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service 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 Educational Service Center's school districts based on each school district's total student count. The State Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Educational Service Center also receives funding from the State Department of Education, in the amount of \$37.00 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the Education Service Center an amount equal to \$6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

Note 8 - Receivables

Receivables at June 30, 2010, consisted of intergovernmental and accrued interest. All receivables are considered collectible in full and within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Funds	
General Fund	
Excess Costs	\$69,151
Miscellaneous	242
Total General Fund	69,393
Title VI-B	39,372
Total Major Funds	108,765
Other Governmental Funds	
Alternative School	8,175
Preschool	15,505
Total Other Governmental Funds	23,680
Total Intergovernmental Receivables	\$132,445

Western Buckeye Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$28,910			\$28,910
Depreciable Capital Assets				
Buildings	161,090			161,090
Furniture, Fixtures, and Equipment	254,128	\$10,667	(\$13,675)	251,120
Total Depreciable Capital Assets	415,218	10,667	(13,675)	412,210
Less Accumulated Depreciation				
Buildings	(38,778)	(3,343)		(42,121)
Furniture, Fixtures, and Equipment	(203,497)	(12,075)	13,675	(201,897)
Total Accumulated Depreciation	(242,275)	(15,418)	\$13,675	(244,018)
Depreciable Capital Assets, Net	172,943	(4,751)		168,192
Governmental Activities Capital Assets, Net	\$201,853	(\$4,751)		\$197,102

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$432
Special		2,236
Support Services:		
Pupils		353
Instructional Staff		6,655
Administration		5,077
Fiscal		340
Central		325
Total Depreciation Expense		\$15,418

Note 10 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by Schools of Ohio Risk Sharing Authority	
General Liability	
Per Occurrence	\$11,000,000
Total per Year	13,000,000
Automobile Liability	10,000,000
Buildings and Personal Property	1,131,587

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2010, the Educational Service Center participated in the Schools of Ohio Risk Sharing Authority (SOSRA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2010, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of five members. The Educational Service Center pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Note 11 - Defined Benefit Pension Plans – (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio 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 Educational Service Center's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$310,747, \$300,864, and \$289,823 respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DCP and CP for fiscal year 2010 were \$32 made by the Educational Service Center and \$12,383 made by the plan members.

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Note 11 - Defined Benefit Pension Plans – (Continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$358,603, \$254,700, and \$227,741 respectively; 100 percent has been contributed for all three fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The Educational Service Center contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$23,906, \$23,150, and \$22,299 respectively; 100 percent has been contributed for all three fiscal years.

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

Note 12 - Postemployment Benefits – (Continued)

Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$40,607.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$12,907, \$116,562, and \$103,925 respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$21,325, \$21,015, and \$16,409 respectively; 100 percent has been contributed for all three fiscal years.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of thirty days for employees with less than ten years of service with the Educational Service Center, and a maximum of fifty days for employees with ten or more years of service.

Upon the merger of Paulding and Van Wert Educational Service Centers in fiscal year 1999, certain employees accumulated sick leave balances exceeded one hundred eighty days. For these employees, the maximum sick leave accrual is being maintained at their balance upon the merger.

Note 13 - Other Employee Benefits – (Continued)

B. Health Care Benefits

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG) for all employee health care benefits. Through VWASIG, the Educational Service Center offers medical, dental, and life insurance benefits. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Note 14 - Long-Term Obligations

Changes in the Educational Service Center’s long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$216,508	\$8,623	\$6,427	\$218,704	\$25,300

Compensated absences will be paid from the General Fund.

Note 15 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The Educational Service Center is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was 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 entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2010, the Educational Service Center paid \$8,157 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Note 16 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

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

The Educational Service Center participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as 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 GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Van Wert Area Schools Insurance Group

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 641 North Jefferson Street, Van Wert, Ohio 45891.

Notes 17 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2010.

B. Litigation

There are currently no matters in litigation with the Educational Service Center as defendant.

Western Buckeye Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$785,000	\$801,503	\$797,070	(\$4,433)
Interest	20,000	18,000	17,543	(457)
Tuition and Fees	147,900	147,900	182,863	34,963
Customer Services	2,988,500	3,106,500	3,256,922	150,422
Miscellaneous	3,120	2,435	1,377	(1,058)
Total Revenues	<u>3,944,520</u>	<u>4,076,338</u>	<u>4,255,775</u>	<u>179,437</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	306,548	226,429	240,129	(13,700)
Special	1,619,581	1,863,358	1,829,623	33,735
Support Services:				
Pupils	1,123,457	1,225,154	1,130,743	94,411
Instructional Staff	483,097	485,425	459,766	25,659
Board of Education	67,490	71,171	54,606	16,565
Administration	505,806	494,084	408,504	85,580
Fiscal	90,475	92,380	94,021	(1,641)
Operation and Maintenance of Plant	24,850	24,850	11,820	13,030
Central	19,613	16,013	12,262	3,751
Non-Instructional Services	75	240	75	165
Total Expenditures	<u>4,240,992</u>	<u>4,499,104</u>	<u>4,241,549</u>	<u>257,555</u>
Excess of Revenues Over (Under) Expenditures	<u>(296,472)</u>	<u>(422,766)</u>	<u>14,226</u>	<u>436,992</u>
<u>Other Financing Uses:</u>				
Refund of Prior Year Expenditures		(15,854)	(15,854)	
Other Financing Uses	(213,185)	(396,682)		396,682
Total Other Financing Uses	<u>(213,185)</u>	<u>(412,536)</u>	<u>(15,854)</u>	<u>396,682</u>
Changes in Fund Balance	<u>(509,657)</u>	<u>(835,302)</u>	<u>(1,628)</u>	<u>833,674</u>
Fund Balance at Beginning of Year	815,234	815,234	815,234	
Prior Year Encumbrances Appropriated	20,068	\$20,068	20,068	
Fund Balance at End of Year	<u>\$325,645</u>	<u>\$325,645</u>	<u>\$833,674</u>	<u>\$833,674</u>

See Accompanying Notes to the Supplemental Section

Western Buckeye Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$353,659	\$393,100	\$353,728	(\$39,372)
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	323,914	359,234	311,757	47,477
Support Services:				
Instructional Staff	11,031	12,234	10,753	1,481
Administration	28,751	31,886	31,886	
Total Expenditures	363,696	403,354	354,396	48,958
Changes in Fund Balance	(10,037)	(10,254)	(668)	9,586
Fund Balance at Beginning of Year	10,254	\$10,254	10,254	
Fund Balance at End of Year	\$217		\$9,586	\$9,586

See Accompanying Notes to the Supplemental Section

Western Buckeye Educational Service Center
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 American History Fund
 For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$750,434	\$766,288	\$753,455	(\$12,833)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	142,834	445,218	438,244	6,974
Support Services:				
Instructional Staff	82,176	256,143	251,077	5,066
Administration	3,670	11,439	11,439	
Fiscal	7,267	22,652	21,859	793
Central	9,893	30,836	30,836	
Total Expenditures	<u>245,840</u>	<u>\$766,288</u>	<u>\$753,455</u>	<u>\$12,833</u>
Changes in Fund Balance	504,594			
Fund Balance At Beginning of Year				
Prior Year Encumbrances Appropriated				
Fund Balance at End of Year	<u>\$504,594</u>			

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The Educational Service Center's Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Board.

The Educational Service Center's Board adopts an annual appropriations resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund and function level within the General Fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the object level in the General Fund and the function and object level within all other funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the Board during the fiscal year.

Note 2 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Western Buckeye Educational Service Center
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2010
(Continued)

Note 2 - Budgetary Basis of Accounting - (Continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements are as follows:

	General Fund	Title VI-B Fund	American History Fund
GAAP Basis	(\$100,954)	(\$2,678)	\$638
<u>Increase (Decrease) Due to:</u>			
Revenue Accruals:			
Accrued FY 2009, Received in Cash FY 2010	160,448	39,441	
Accrued FY 2010, Not Yet Received in Cash	(69,484)	(39,372)	
Expenditure Accruals:			
Accrued FY 2009, Paid in Cash FY 2010	(456,351)	(56,267)	(1,275)
Accrued FY 2010, Not Yet Paid in Cash	484,123	58,208	\$637
Unrecorded Cash Activity FY 2009	5,068		
Unrecorded Cash Activity FY 2010	(137)		
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(24,341)		
Budget Basis	(\$1,628)	(\$668)	

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	\$ 378,728	\$ 378,294
Special Education Preschool Grants	84.173	44,740	46,524
Special Education Preschool Grants - ARRA	84.392	12,000	11,644
Total Special Education Preschool Grants		<u>56,740</u>	<u>58,168</u>
Total Special Education Cluster		435,468	436,462
Javits Gifted and Talented Students Education Grant	84.206		1,102
Twenty-First Century Community Learning Centers	84.287	200,000	200,641
School Improvement Grants - Ohio Improvements Training	84.377	<u>300</u>	<u>300</u>
Total Department of Education		635,768	638,505
<i>Direct Assistance:</i>			
Fund for the Improvement of Education	84.215	<u>753,456</u>	<u>753,456</u>
Totals		<u>\$ 1,389,224</u>	<u>\$ 1,391,961</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Western Buckeye Educational Service Center's (the Educational Service Center's) federal award programs receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

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

Western Buckeye Educational Service Center
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Buckeye Educational Service Center, Paulding County, (the Educational Service Center) as of and for the year ended June 30, 2010, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated February 24, 2011. 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 Educational Service Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Educational Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Educational Service Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of reasonably assuring whether the Educational Service 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Educational Service Center's management in a separate letter dated February 24, 2011.

We intend this report solely for the information and use of management, the audit committee, Governing Board, federal awarding agencies and pass-through entities, and others within the Educational Service Center. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 24, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Western Buckeye Educational Service Center
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

Compliance

We have audited the compliance of Western Buckeye Educational Service Center, Paulding County, (the Educational Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Educational Service Center's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Educational Service Center's major federal programs. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Educational Service Center's compliance based on our audit.

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

In our opinion, the Western Buckeye Educational Service Center, Paulding County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Educational Service Center's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the Educational Service Center's management in a separate letter dated February 24, 2011.

We intend this report solely for the information and use of the audit committee, management, Governing Board, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 24, 2011

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA #84.027, 84.173, and 84.392
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER

PAULDING 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 15, 2011