



Dave Yost • Auditor of State

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Educational Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Educational Service Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Wood County Educational Service Center, Wood County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Educational Service Center's basic financial statements taken as a whole.

The budgetary schedules for the General Fund, the Community Centers Grant Fund and Safe and Healthy Schools Fund present additional analysis and are not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as 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 financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

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

Columbus, Ohio

February 3, 2015

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Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Wood County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

Total net position increased by \$195,849, or 3 percent from the prior fiscal year.

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 Wood County Educational Service Center as a financial whole, or as an entire operating entity.

The statement of net position 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 non-major funds presented in total in a single column. For the Educational Service Center, the General Fund and the Community Centers Grant and Safe and Healthy Schools special revenue funds are the most significant funds.

Reporting the Educational Service Center as a Whole

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2014. 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 position and changes in net position. This change in net position 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. Non-financial factors include facility conditions, required educational programs, and other factors.

In the statement of net position 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.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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 Community Centers Grant and Safe and Healthy Schools 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.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2014 compared to fiscal year 2013:

Table 1 Net Position			
	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Current and Other Assets	\$6,716,941	\$6,294,314	\$422,627
Capital Assets, Net	1,730,995	1,883,687	(152,692)
Total Assets	8,447,936	8,178,001	269,935
<u>Liabilities:</u>			
Current and Other Liabilities	1,682,676	1,618,851	(63,825)
Long-Term Liabilities	705,874	695,613	(10,261)
Total Liabilities	2,388,550	2,314,464	(74,086)
<u>Net Position:</u>			
Net Investment in Capital Assets	1,730,995	1,883,687	(152,692)
Restricted	2,530,963	2,553,578	(22,615)
Unrestricted	1,797,428	1,426,272	371,156
Total Net Position	\$6,059,386	\$5,863,537	\$195,849

Overall, net position increased 3 percent from the prior fiscal year. Note the increase in current and other assets primarily due to an increase in cash and cash equivalents as a result of an increase in charges for services. This increase is also reflected in the increase in unrestricted net position. The decrease in net capital assets and the investment in capital assets represents assets which were purchased with grant resources and then donated to various school districts.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 reflects the changes in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities		Change
	2014	2013	
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$12,055,619	\$10,201,720	\$1,853,899
Operating Grants and Contributions	3,780,801	4,212,004	(431,203)
Capital Grants and Contributions	0	8,555	(8,555)
Total Program Revenues	<u>15,836,420</u>	<u>14,422,279</u>	<u>1,414,141</u>
General Revenues			
Grants and Entitlements	110,806	392,681	(281,875)
Interest	25,013	22,585	2,428
Gifts and Donations	3,825	1,425	2,400
Miscellaneous	126,101	140,370	(14,269)
Total General Revenues	<u>265,745</u>	<u>557,061</u>	<u>(291,316)</u>
Total Revenues	<u>16,102,165</u>	<u>14,979,340</u>	<u>1,122,825</u>
<u>Expenses:</u>			
Instruction:			
Regular	2,118,903	1,660,457	(458,446)
Special	5,121,029	4,230,744	(890,285)
Adult/Continuing	0	14,107	14,107
Support Services:			
Pupils	5,205,717	3,165,271	(2,040,446)
Instructional Staff	601,293	2,875,014	2,273,721
Board of Education	26,616	23,596	(3,020)
Administration	1,184,269	1,182,331	(1,938)
Fiscal	940,886	765,050	(175,836)
Operation and Maintenance of Plant	204,844	285,458	80,614
Pupil Transportation	111,657	83,439	(28,218)
Central	262,572	261,975	(597)
Non-Instructional Services	42,551	22,365	(20,186)
Intergovernmental	85,979	71,833	(14,146)
Total Expenses	<u>15,906,316</u>	<u>14,641,640</u>	<u>(1,264,676)</u>
Increase in Net Position	195,849	337,700	(141,851)
Net Position at Beginning of Year	<u>5,863,537</u>	<u>5,525,837</u>	<u>337,700</u>
Net Position at End of Year	<u>\$6,059,386</u>	<u>\$5,863,537</u>	<u>\$195,849</u>

Program revenues were 98 percent of total revenues for fiscal year 2014 (96 percent for fiscal year 2013) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to six local, two exempted village, and one city school district in Northwest Ohio, as well as some services to various other area school districts and agencies, both within and outside of Wood County. Charges for services were 75 percent of total revenues for fiscal year 2014. Note the increase in charges for services revenue from the prior fiscal year from an increase in the charges to local school districts through the State foundation payments. There was a decrease in operating grants and contributions due to the expiration of grant programs.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget and dependent on the level of services requested by those school districts which vary from year to year. Overall expenses increased almost 9 percent from the prior fiscal year.

Regular instruction costs (13 percent of total expenses) include opportunity programs, alternative programs, suspension programs, regular education substitute services, and intervention tutors.

Approximately 32 percent of overall expenses were related to special instruction activities including instruction in such areas as gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, autistic, emotional disturbed, cognitive and specific learning disabled, and preschool disabled children.

Pupil support services were 33 percent of total expenses. These expenses include the costs of a nurse, school psychologists, speech language therapists, adapted physical education instructors, occupational therapists, physical therapists, and prevention specialists.

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	
	2014	2013	2014	2013
Instruction:				
Regular	\$2,118,903	\$1,660,457	(\$297,014)	(\$362,084)
Special	5,121,029	4,230,744	(4,558,010)	(4,735,417)
Adult/Continuing	0	14,107	0	14,107
Support Services:				
Pupils	5,205,717	3,165,271	2,202,370	281,214
Instructional Staff	601,293	2,875,014	568,181	2,841,902
Board of Education	26,616	23,596	26,616	23,596
Administration	1,184,269	1,182,331	963,205	1,139,195
Fiscal	940,886	765,050	704,563	513,619
Operation and Maintenance of Plant	204,844	285,458	183,579	276,903
Pupil Transportation	111,657	83,439	49,666	23,168
Central	262,572	261,975	214,908	208,993
Non-Instructional Services	42,551	22,365	20,467	(5,739)
Intergovernmental	85,979	71,833	(8,635)	(96)
Total Expenses	<u>\$15,906,316</u>	<u>\$14,641,640</u>	<u>\$69,896</u>	<u>\$219,361</u>

Over 99 percent of the Educational Service Center's costs for providing services are supported by program revenues. Funding for gifted units and preschool units are provided by the State based on the degree and experience of the staff employed in those positions. These units have been and continue to be funded well below actual costs. The remaining costs are covered by general revenues.

Expenses for paraprofessionals 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, special, and adult/continuing instruction.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The instruction programs appear to be over funded while support services programs seem to be quite under funded due to the allocation of professional and paraprofessional support staff charged against the support services programs relative to regular, special, and adult/continuing 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 2014, fund balance in the General Fund increased almost 19 percent generally due to the Educational Service Center receiving an increase in monies from the local school districts (additional charges for services). The need for additional services by the school districts served by the Educational Service Center is also reflected in the 7 percent increase in expenditures.

Fund balance in the Community Centers Grant Fund increased 9 percent from the prior fiscal year. Revenues decreased 4 percent; however, expenditures decreased 13 percent resulting in the fund balance increase.

Fund balance had little change from the prior fiscal year in the Safe and Healthy Schools Fund. The fund had a negative fund balance as a result of anticipated grant monies being encumbered at fiscal year end.

Capital Assets

At June 30, 2014, the Educational Service Center had \$1,730,995 net investment in capital assets. There were no additions and disposals were largely assets donated to other school districts. For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

Current Issues

Since fiscal year 1994, there have been no increases in funding from the State. In fiscal year 2009, a budget reduction of \$5,000,000 per executive order by the Governor was applied reducing each educational service centers' per pupil State funding amount by approximately 9.12 percent. Additionally, as part of Substitute House Bill 153, the fiscal year 2012-2013 biennial State operating budget, State funding to educational service centers was no longer based on a per pupil amount, rather the funding was based on a percentage of the prior year's funding amount received from the State. In fiscal year 2013, educational services centers were funded at 85 percent of the amount they received in fiscal year 2012. For Wood County Educational Service Center, this amounted to a \$48,684 permanent decrease in State funding.

As part of House Bill 59, the new fiscal year 2014-2015 biennial State operating budget, educational service centers' funding returned to a per pupil State funding amount. The State appropriated \$43.5 million in fiscal year 2014 and \$40 million in fiscal year 2015 for educational service centers. In order for the State to stay within the \$40 million appropriation, educational service centers received approximately \$30.24 per pupil in fiscal year 2014 and are estimated to receive \$26.54 in fiscal year 2015.

Costs for services sold will continue to increase due to salary schedule years of experience increases as well as medical insurance increases, which were 7 percent for fiscal year 2014. For fiscal year 2014, 1.25 percent salary raises were granted. The permanent elimination of health insurance benefits to paraprofessional staff in fiscal year 2012 will continue to have a positive effect on holding down the costs for services sold.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

During fiscal year 2014, the Educational Service Center was notified by the Perrysburg Exempted Village School District that they would end their contract at the end of fiscal year 2014 for preschool special education services and preschool itinerant services. This will reduce the Educational Service Center's revenue in fiscal year 2015 by approximately \$920,000.

Due to the implementation of the Affordable Health Care in fiscal year 2016, the Educational Service Center will be required to offer health insurance to all employees who work an average of thirty hours per week. This will increase the cost of services sold in fiscal year 2016 at a higher percentage than in past years.

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 Gina R. Fernbaugh, Treasurer/CFO, Wood County Educational Service Center, 1867 North Research Drive, Bowling Green, Ohio 43402-9086.

Wood County Educational Service Center
Statement of Net Position
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,168,058
Accounts Receivable	203,336
Accrued Interest Receivable	882
Intergovernmental Receivable	343,103
Prepaid Items	1,562
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	1,618,495
Total Assets	8,447,936
 <u>Liabilities:</u>	
Accounts Payable	19,424
Accrued Wages and Benefits Payable	1,333,037
Matured Compensated Absences Payable	17,720
Intergovernmental Payable	312,495
Long-Term Liabilities:	
Due Within One Year	128,012
Due in More Than One Year	577,862
Total Liabilities	2,388,550
 <u>Net Position:</u>	
Net Investment in Capital Assets	1,730,995
Restricted for:	
Community Center	2,242,044
Alternative School	144,090
Wellness Activities	50,669
Other Purposes	94,160
Unrestricted	1,797,428
Total Net Position	\$6,059,386

See Accompanying Notes to Basic Financial Statements

Wood County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$2,118,903	\$1,917,538	\$498,379	\$297,014
Special	5,121,029	9,182,218	496,821	4,558,010
Support Services:				
Pupils	5,205,717	357,700	2,645,647	(2,202,370)
Instructional Staff	601,293	8,112	25,000	(568,181)
Board of Education	26,616	0	0	(26,616)
Administration	1,184,269	221,064	0	(963,205)
Fiscal	940,886	236,323	0	(704,563)
Operation and Maintenance of Plant	204,844	21,265	0	(183,579)
Pupil Transportation	111,657	61,991	0	(49,666)
Central	262,572	45,864	1,800	(214,908)
Non-Instructional Services	42,551	3,544	18,540	(20,467)
Intergovernmental	85,979	0	94,614	8,635
Total Governmental Activities	<u>\$15,906,316</u>	<u>\$12,055,619</u>	<u>\$3,780,801</u>	<u>(69,896)</u>
<u>General Revenues:</u>				
Grants and Entitlements not Restricted to Specific Programs				110,806
Interest				25,013
Gifts and Donations				3,825
Miscellaneous				126,101
Total General Revenues				<u>265,745</u>
Change in Net Position				195,849
Net Position at Beginning of Year				<u>5,863,537</u>
Net Position at End of Year				<u>\$6,059,386</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2014

	General	Community Centers Grant	Safe and Healthy Schools	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,886,300	\$2,053,149	\$0	\$228,609	\$6,168,058
Accounts Receivable	0	202,768	0	568	203,336
Accrued Interest Receivable	882	0	0	0	882
Intergovernmental Receivable	47,730	37,623	77,035	180,715	343,103
Interfund Receivable	97,108	0	0	0	97,108
Prepaid Items	1,562	0	0	0	1,562
Total Assets	<u>\$4,033,582</u>	<u>\$2,293,540</u>	<u>\$77,035</u>	<u>\$409,892</u>	<u>\$6,814,049</u>
<u>Liabilities</u>					
Accounts Payable	\$3,608	\$644	\$2,902	\$12,270	\$19,424
Accrued Wages and Benefits Payable	1,257,760	2,712	8,523	64,042	1,333,037
Matured Compensated Absences Payable	17,720	0	0	0	17,720
Intergovernmental Payable	256,903	20,285	10,472	24,835	312,495
Interfund Payable	0	0	77,035	20,073	97,108
Total Liabilities	<u>1,535,991</u>	<u>23,641</u>	<u>98,932</u>	<u>121,220</u>	<u>1,779,784</u>
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue	4,016	166,016	0	31,216	201,248
<u>Fund Balances:</u>					
Nonspendable	1,562	0	0	0	1,562
Restricted	0	2,103,883	0	261,147	2,365,030
Committed	121,000	0	0	0	121,000
Assigned	32,982	0	0	0	32,982
Unassigned (Deficit)	2,338,031	0	(21,897)	(3,691)	2,312,443
Total Fund Balances (Deficit)	<u>2,493,575</u>	<u>2,103,883</u>	<u>(21,897)</u>	<u>257,456</u>	<u>4,833,017</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$4,033,582</u>	<u>\$2,293,540</u>	<u>\$77,035</u>	<u>\$409,892</u>	<u>\$6,814,049</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balances		\$4,833,017
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		1,730,995
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
Accounts Receivable	166,016	
Intergovernmental Receivable	<u>35,232</u>	
		201,248
<p>Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.</p>		<u>(705,874)</u>
Net Position of Governmental Activities		<u><u>\$6,059,386</u></u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Community Centers Grant	Safe and Healthy Schools	Other Governmental	Total Governmental Funds
Revenues:					
Intergovernmental	\$387,424	\$335,746	\$1,634,031	\$1,548,818	\$3,906,019
Interest	25,013	0	0	0	25,013
Tuition and Fees	601,602	0	0	109,166	710,768
Customer Services	10,720,265	306,398	0	475,000	11,501,663
Gifts and Donations	3,825	81,500	0	0	85,325
Miscellaneous	108,281	2,785	2,403	9,079	122,548
Total Revenues	<u>11,846,410</u>	<u>726,429</u>	<u>1,636,434</u>	<u>2,142,063</u>	<u>16,351,336</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,007,329	390,730	74,132	771,050	2,243,241
Special	4,988,744	0	36,106	125,976	5,150,826
Support Services:					
Pupils	3,507,241	0	800,313	896,645	5,204,199
Instructional Staff	188,572	1,336	320,583	80,788	591,279
Board of Education	26,616	0	0	0	26,616
Administration	964,711	3,827	112,923	72,330	1,153,791
Fiscal	514,117	45,611	165,066	207,538	932,332
Operation and Maintenance of Plant	126,220	0	19,824	8,300	154,344
Pupil Transportation	59,123	16,214	0	0	75,337
Central	31,719	96,160	105,808	16,930	250,617
Non-Instructional Services	38,912	0	410	3,229	42,551
Intergovernmental	0	0	0	85,979	85,979
Total Expenditures	<u>11,453,304</u>	<u>553,878</u>	<u>1,635,165</u>	<u>2,268,765</u>	<u>15,911,112</u>
Changes in Fund Balances	393,106	172,551	1,269	(126,702)	440,224
Fund Balances (Deficit) at Beginning of Year	2,100,469	1,931,332	(23,166)	384,158	4,392,793
Fund Balances (Deficit) at End of Year	<u>\$2,493,575</u>	<u>\$2,103,883</u>	<u>(\$21,897)</u>	<u>\$257,456</u>	<u>\$4,833,017</u>

See Accompanying Notes to the Basic Financial Statements

Wood County 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, 2014

Changes in Fund Balances - Total Governmental Funds		\$440,224
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>On the statement of activities, the cost of an asset is allocated over its estimated useful life as depreciation expense.</p>		(58,986)
<p>The cost of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.</p>		(93,706)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Intergovernmental	(95,912)	
Tuition and Fees	(3,950)	
Customer Services	14,887	
Miscellaneous	3,553	
		(81,422)
<p>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.</p>		(10,261)
Change in Net Position of Governmental Activities		\$195,849
<p>See Accompanying Notes to the Basic Financial Statements</p>		

Note 1 - Reporting Entity

The Wood County Educational Service Center (the “Educational Service Center”) is located in Bowling Green, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Eastwood, Elmwood, Lake, Northwood, North Baltimore, and Otsego Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Bowling Green 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 Wood County Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has five administrators, two hundred forty-five classified employees, and two hundred twenty-one certified employees 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 ensure 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 Wood County Educational Service Center, this includes general operations and student-related activities.

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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Wood County Educational Service Center.

The Educational Service Center participates in five jointly governed organizations and two insurance pools. These organizations are the Penta Career Center, the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Ohio Schools Council, the Ohio School Plan, and the Wood County Schools Benefit Plan Association. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Wood County 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. Following are the more significant of the Educational Service Center’s accounting policies.

A. Basis of Presentation

The Educational Service Center’s basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 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 position 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.

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. All of the Educational Service Center's funds are governmental funds.

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 Community Centers Grant and Safe and Healthy Schools 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.

Community Centers Grant Fund - The Community Centers Grant Fund is used to account for resources provided by the Wood County Department of Human Services and restricted to promote family literacy skills; to provide safe and supervised after-school, weekend, and summer activities for children grades PreK to 12; and to encourage formation and maintenance of strong families.

Safe and Healthy Schools Fund - The Safe and Healthy Schools Fund is used to account for federal resources restricted to support the development of communitywide approaches to creating safe and drug-free schools and promoting healthy childhood development.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 did not have any trust funds in fiscal year 2014. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center did not have any agency funds in fiscal year 2014.

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 all liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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.

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, 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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Educational Service Center did not report any deferred outflows of resources for fiscal year 2014.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service Center, deferred inflows of resources consists of unavailable revenue. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes intergovernmental revenue, including grants, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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 2014, investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. 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 net asset value per share, which is the price the investment could be sold for on June 30, 2014.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$25,013, which includes \$14,710 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. 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 position 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.

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
Furniture, Fixtures, and Equipment	5-7 years
Building	40 years

H. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

I. Compensated Absences

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

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 ten or more years of service with the Educational Service Center.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

J. 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.

K. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes consists of 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 position is available.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Governors. The committed amounts cannot be used for any other purpose unless the Board of Governors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Governors. The Board of Governors has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Educational Service Center first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

M. 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 2014, these funds included the Miscellaneous State Grants, Preschool, and Early Childhood Education special revenue funds.

N. Interfund Transactions

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.

O. 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 - Accountability

At June 30, 2014, the Safe and Healthy Schools, Miscellaneous State Grants, Parent Mentor, and Preschool special revenue funds had deficit fund balances of \$21,897, \$2,132, \$832, and \$727, 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 4 - 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;
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 yearend, \$722,394 of the Educational Service Center's bank balance of \$6,510,586 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 credit 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

As of June 30, 2014, the fair value of funds on deposit with STAR Ohio was \$8. The Educational Service Center's investments in STAR Ohio had an average maturity of 51.4 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The Educational Service Center has no policy regarding 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.

Note 5 - 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 settlements of each of the school districts served by the Educational 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.

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

Note 6 - Receivables

Receivables at June 30, 2014, consisted of accounts, accrued interest, intergovernmental, and interfund receivables. 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	
Tuition	\$42,916
Miscellaneous	4,814
Total General Fund	47,730
Community Centers Grant Fund	37,623
Safe and Healthy Schools	77,035
Total Major Funds	162,388
Other Governmental Funds	
ATOD	55,512
Alternative School	3,873
Miscellaneous State Grants	3,769
Private Industry Council	65,503
Parent Mentor	2,045
Title I	19,996
Preschool	6,486
21 st Century	8,800
D&D Prevention	14,731
Total Other Governmental Funds	180,715
Total Intergovernmental Receivables	\$343,103

Wood County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$112,500	\$0	\$0	\$112,500
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	571,559	0	(174,900)	396,659
Building	2,149,640	0	0	2,149,640
Total Depreciable Capital Assets	2,721,199	0	(174,900)	2,546,299
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(466,343)	(5,245)	81,194	(390,394)
Building	(483,669)	(53,741)	0	(537,410)
Total Accumulated Depreciation	(950,012)	(58,986)	81,194	(927,804)
Depreciable Capital Assets, Net	1,771,187	(58,986)	(93,706)	1,618,495
Governmental Activities Capital Assets, Net	\$1,883,687	(\$58,986)	(\$93,706)	\$1,730,995

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$7,568
Special	8,972
Support Services:	
Pupils	15,441
Instructional Staff	7,150
Administration	12,903
Fiscal	5,527
Operation and Maintenance of Plant	516
Central	909
Total Depreciation Expense	<u>\$58,986</u>

Note 8 - Interfund Assets/Liabilities

At June 30, 2014, the General Fund had an interfund receivable from the Safe and Healthy Schools special revenue fund for services provided, in the amount of \$77,035, and from other governmental funds as a result of providing cash flow resources until the receipt of grant monies and for services provided, in the amount of \$7,938 and \$12,135, respectively. These amounts are expected to be repaid within one year.

Note 9 - 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 2014, the Educational Service Center contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan:

General Liability	
Per Occurrence	\$3,000,000
Aggregate	5,000,000
Comprehensive Auto Liability	1,000,000
Property	3,923,431

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 2014, the Educational Service Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The Educational Service Center participates in the Wood County Schools Benefit Plan Association (Association), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The Educational Service Center pays monthly premiums to the Association for employee medical and dental benefits. The Association is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 10 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$33,015
Other Governmental Funds	428,421
Total	\$461,436

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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.

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$585,225 and \$34,292 for the fiscal year ended June 30, 2014, \$563,784 and \$24,830 for the fiscal year ended June 30, 2013, and \$582,306 and \$26,663 for the fiscal year ended June 30, 2012. For fiscal year 2014, 79 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$34,618 made by the Educational Service Center and \$27,200 made by the plan members. In addition, member contributions of \$26,944 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The Educational Service Center participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to

pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$534,959, \$506,661, and \$507,414, 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, 2014, none of the five Board of Governors 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 participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$50,318, \$46,767, and \$48,535, respectively. For fiscal year 2014, 79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

B. School Employees Retirement System

Plan Description - The Educational Service Center participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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. Benefit provisions and the obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources

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 105(e). For fiscal year 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the Educational Service Center paid \$68,859 in surcharge

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, 2014, 2013, and 2012 was \$5,717, \$6,188, and \$21,975, 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 2014, 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, 2014, 2013, and 2012 was \$31,036, \$28,621, and \$29,965, 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 days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees, the superintendent, and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, the superintendent, 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 two hundred days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-seven days for all employees.

B. Health Care Benefits

The Educational Service Center offers medical and dental benefits to full-time employees through the Wood County Schools Benefit Plan Association. The Educational Service Center also offers life insurance to all employees through American United Life Insurance.

Note 14 - Long Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2014 were as follows:

	<u>Balance at 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/14</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$695,613	\$12,763	\$2,502	\$705,874	\$128,012

Compensated absences will be paid from the General Fund and the Community Centers Grant special revenue fund.

Wood County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Community Centers Grant	Safe and Healthy Schools	Other Governmental	Total Governmental
Nonspendable for:					
Prepaid Items	\$1,562	\$0	\$0	\$0	\$1,562
Restricted for:					
Alternative School	0	0	0	144,090	144,090
Community Learning Center	0	2,103,883	0	1,744	2,105,627
Drug Abuse Education	0	0	0	2,297	2,297
Juvenile Detention Center	0	0	0	36,871	36,871
Remedial Reading	0	0	0	19,996	19,996
Wellness Activities	0	0	0	50,669	50,669
Workforce Improvement	0	0	0	5,480	5,480
Total Restricted	0	2,103,883	0	261,147	2,365,030
Committed for:					
Termination Benefits	121,000	0	0	0	121,000
Assigned for:					
Educational Activities	5,473	0	0	0	5,473
Unpaid Obligations	27,509	0	0	0	27,509
Total Assigned	32,982	0	0	0	32,982
Unassigned (Deficit)	2,338,031	0	(21,897)	(3,691)	2,312,443
Total Fund Balance (Deficit)	\$2,493,575	\$2,103,883	(\$21,897)	\$257,456	\$4,833,017

Note 16 - Jointly Governed Organizations

A. Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of nine board members appointed from participating School Districts' or Educational Service Centers' elected Board of Education. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Lucas; and two representative from the most populous county: Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

B. Northwest Ohio Computer Association

The Educational Service Center is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. 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 NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2014, the Educational Service Center paid \$63,106 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

C. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

D. 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., 441 East Market Street, Celina, Ohio, 45822.

E. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among school districts, educational service centers, joint vocational districts, and Developmental Disabilities Boards which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of nine superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Ohio Schools Council Association, 6393 Oak Tree Boulevard Suite 377, Independence, Ohio 44131.

Note 17 - Insurance Pools

A. Ohio School Plan

The Educational Service Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan 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. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Wood County Schools Benefit Plan Association

The Wood County Schools Benefit Plan Association (Assosiation) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The Association is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Huntington Bank, 236 South Main Street, Findlay, Ohio 45840

Note 18 - 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, 2014.

B. Litigation

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

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Wood County 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, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$404,600	\$387,424	\$387,424	\$0
Interest	20,000	25,137	25,445	308
Tuition and Fees	594,467	604,152	600,027	(4,125)
Customer Services	10,819,104	10,696,099	10,659,346	(36,753)
Gifts and Donations	1,425	3,825	3,825	0
Miscellaneous	119,629	36,058	35,673	(385)
Total Revenues	<u>11,959,225</u>	<u>11,752,695</u>	<u>11,711,740</u>	<u>(40,955)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,094,863	1,031,165	997,703	33,462
Special	4,957,389	4,972,043	4,859,647	112,396
Support Services:				
Pupils	3,627,906	3,721,486	3,602,321	119,165
Instructional Staff	188,345	196,925	190,531	6,394
Board of Education	37,437	37,732	26,206	11,526
Administration	1,007,051	1,031,951	974,313	57,638
Fiscal	553,743	532,816	513,933	18,883
Operation and Maintenance of Plant	136,605	139,525	124,647	14,878
Pupil Transportation	59,185	59,495	59,252	243
Central	53,497	55,008	52,905	2,103
Non-Instructional Services	25,947	26,642	20,026	6,616
Total Expenditures	<u>11,741,968</u>	<u>11,804,788</u>	<u>11,421,484</u>	<u>383,304</u>
Excess of Revenues Over (Under) Expenditures	<u>217,257</u>	<u>(52,093)</u>	<u>290,256</u>	<u>342,349</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	128,192	132,654	132,654	0
Refund of Prior Year Receipts	0	(150)	(150)	0
Other Financing Uses	(300,000)	(32,109)	0	32,109
Advances In	8,303	8,303	8,303	0
Advances Out	(8,500)	(8,500)	(7,938)	562
Total Other Financing Sources (Uses)	<u>(172,005)</u>	<u>100,198</u>	<u>132,869</u>	<u>32,671</u>
Changes in Fund Balance	45,252	48,105	423,125	375,020
Fund Balance at Beginning of Year	3,390,013	3,390,013	3,390,013	0
Prior Year Encumbrances Appropriated	40,147	40,147	40,147	0
Fund Balance at End of Year	<u>\$3,475,412</u>	<u>\$3,478,265</u>	<u>\$3,853,285</u>	<u>\$375,020</u>

See Accompanying Notes to the Supplemental Section

Wood County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Community Centers Grant Fund
For the Fiscal Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$312,021	\$305,392	\$307,750	\$2,358
Customer Services	337,906	298,480	303,770	5,290
Gifts and Donations	81,600	81,500	81,500	0
Total Revenues	<u>731,527</u>	<u>685,372</u>	<u>693,020</u>	<u>7,648</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	589,110	600,978	416,911	184,067
Support Services:				
Instructional Staff	7,718	7,796	2,751	5,045
Administration	5,200	5,200	3,827	1,373
Fiscal	111,032	94,896	46,157	48,739
Pupil Transportation	20,000	36,000	32,214	3,786
Central	125,479	125,385	95,927	29,458
Total Expenditures	<u>858,539</u>	<u>870,255</u>	<u>597,787</u>	<u>272,468</u>
Excess of Revenue Over (Under) Expenditures	<u>(127,012)</u>	<u>(184,883)</u>	<u>95,233</u>	<u>280,116</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditure	885	3,620	3,620	0
Refund of Prior Year Receipts	(1,000)	(1,000)	(101)	899
Other Financing Uses	(18,714)	(6,999)	0	6,999
Total Other Financing Sources (Uses)	<u>(18,829)</u>	<u>(4,379)</u>	<u>3,519</u>	<u>7,898</u>
Changes in Fund Balance	(145,841)	(189,262)	98,752	288,014
Fund Balance at Beginning of Year	1,880,908	1,880,908	1,880,908	0
Prior Year Encumbrances Appropriated	41,069	41,069	41,069	0
Fund Balance at End of Year	<u>\$1,776,136</u>	<u>\$1,732,715</u>	<u>\$2,020,729</u>	<u>\$288,014</u>

See Accompanying Notes to the Supplemental Section

Wood County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Safe and Healthy Schools Fund
For the Fiscal Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$1,946,300	\$1,946,300	\$1,556,996	(\$389,304)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	57,965	78,604	78,208	396
Special	50,947	42,101	42,101	0
Support Services:				
Pupils	1,037,588	999,682	968,419	31,263
Instructional Staff	300,489	339,006	333,662	5,344
Administration	131,072	119,730	116,310	3,420
Fiscal	165,092	165,092	165,092	0
Operation and Maintenance of Plant	66,166	68,326	19,824	48,502
Central	135,781	135,752	134,598	1,154
Non-Instructional Services	1,200	410	410	0
Total Expenditures	<u>1,946,300</u>	<u>1,948,703</u>	<u>1,858,624</u>	<u>90,079</u>
Excess of Revenue Over (Under) Expenditures	0	(2,403)	(301,628)	(299,225)
<u>Other Financing Sources</u>				
Refund of Prior Year Expenditures	<u>0</u>	<u>2,403</u>	<u>2,403</u>	<u>0</u>
Changes in Fund Balance	0	0	(299,225)	(299,225)
Fund Balance (Deficit) at Beginning of Year	(520,655)	(520,655)	(520,655)	0
Prior Year Encumbrances Appropriated	<u>520,655</u>	<u>520,655</u>	<u>520,655</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$0</u>	<u>\$0</u>	<u>(\$299,225)</u>	<u>(\$299,225)</u>

See Accompanying Notes to the Supplemental Section

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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 level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all 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 is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Community Centers Grant and Safe and Healthy Schools special revenue funds 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 restricted, committed, or assigned fund balance (GAAP basis).

Wood County Educational Service Center
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2014

Note 2 - Budgetary Basis of Accounting (continued)

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

	Changes in Fund Balance		
	General	Community Centers Grant	Safe and Healthy Schools
GAAP Basis	\$393,106	\$172,551	\$1,269
<u>Increases (Decreases) Due To</u>			
Revenue Accruals:			
Accrued FY 2013, Received in Cash FY 2014	131,750	44,586	0
Accrued FY 2014, Not Yet Received in Cash	(133,766)	(74,375)	(77,035)
Expenditure Accruals:			
Accrued FY 2013, Paid in Cash FY 2014	(1,471,296)	(35,231)	(23,166)
Accrued FY 2014, Not Yet Paid in Cash	1,535,991	23,641	98,932
Prepaid Items	(10)	0	0
Advances In	8,303	0	0
Advances Out	(7,938)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(33,015)	(32,420)	(299,225)
Budget Basis	\$423,125	\$98,752	(\$299,225)

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	\$10,104	\$10,104
National School Lunch Program:			
Cash assistance	10.555	32,788	32,788
Non-cash assistance (Commodities)	10.555	1,813	1,813
Total National School Lunch Program		<u>34,601</u>	<u>34,601</u>
Summer Food Service Program for Children	10.559	8,521	8,521
Total U.S. Department of Agriculture		<u>53,226</u>	<u>53,226</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Assistance</i>			
Safe Schools Healthy Students	84.184L	1,556,996	1,559,399
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027	25,050	25,107
Special Education Preschool Grants	84.173	40,324	40,324
Total Special Education Cluster		<u>65,374</u>	<u>65,431</u>
Twenty-First Century Community Learning Centers	84.287	348,536	349,846
Title 1 Grant to Local Educational Agencies	84.010	127,548	127,548
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2,450	2,450
Total U.S. Department of Education		<u>543,908</u>	<u>545,275</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Wood County Department of Alcohol, Drug Addiction and Mental Health Services</i>			
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	87,790	87,790
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	119,875	119,875
<i>Passed Through Wood County Department of Job and Family Services</i>			
Temporary Assistance for Needy Families	93.558	97,925	104,130
Total U.S. Department of Health and Human Services		<u>305,590</u>	<u>311,795</u>
Total Federal Awards Receipts and Expenditures		<u>\$2,459,720</u>	<u>\$2,469,695</u>

The accompanying notes are an integral part of this schedule.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Wood County 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.

NOTE B - CHILD NUTRITION CLUSTER

The Educational Service Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Educational Service Center assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The Educational Service Center reports commodities consumed on the Schedule at entitlement value. The Educational Service Center allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Educational Service Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Educational Service Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, (the Educational Service Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Educational Service Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Educational Service Center's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Educational Service Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Educational Service Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Educational Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

February 3, 2015



Dave Yost • Auditor of State

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

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

Report on Compliance for Each Major Federal Program

We have audited Wood County Educational Service Center, Wood County, Ohio's (the Educational Service Center) compliance with the applicable 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 Wood County Educational Service Center's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Educational Service Center's major federal programs.

Management's Responsibility

The Educational Service Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Educational Service Center's compliance for each of the Educational Service Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Educational Service Center's major programs. However, our audit does not provide a legal determination of the Educational Service Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Wood County Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Educational Service Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 3, 2015

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.184L Safe Schools Healthy Students CFDA #84.287 Twenty-First Century Community Learning Centers
<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

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WOOD COUNTY EDUCATIONAL SERVICE CENTER

WOOD 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
FEBRUARY 17, 2015**