



Dave Yost • Auditor of State

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-9086

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2011, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

November 14, 2011

**Wood County Educational Service Center
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 2011 are as follows:

Total net assets decreased by \$27,596, or less than 1 percent from the prior fiscal year. This change was not significant.

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

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

Reporting the Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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Educational Service Center's major funds are the General Fund and the Community Centers Grant special revenue fund.

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 assets for fiscal year 2011 compared to fiscal year 2010:

	Table 1 Net Assets		
	2011	Governmental Activities 2010	Change
<u>Assets:</u>			
Current and Other Assets	\$6,891,872	\$7,035,141	(\$143,269)
Capital Assets, Net	1,924,049	1,985,788	(61,739)
Total Assets	<u>8,815,921</u>	<u>9,020,929</u>	<u>(205,008)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	1,990,399	2,118,637	128,238
Long-Term Liabilities	797,746	846,920	49,174
Total Liabilities	<u>2,788,145</u>	<u>2,965,557</u>	<u>177,412</u>
<u>Net Assets:</u>			
Invested in Capital Assets	1,924,049	1,985,788	(61,739)
Restricted	2,010,958	1,801,521	209,437
Unrestricted	2,092,769	2,268,063	(175,294)
Total Net Assets	<u>\$6,027,776</u>	<u>\$6,055,372</u>	<u>(\$27,596)</u>

Overall, net assets decreased less than 1 percent from the prior fiscal year. Note the decrease in current and other assets, which is primarily reflected in a decrease in cash and cash equivalents. This decrease was due, in part, to a termination payment to the Superintendent of the Educational Service Center. This decrease is also reflected in the decrease in unrestricted net assets. However, there was also an increase in intergovernmental receivables, a combination of outstanding excess costs due to the Educational Service Center from the school districts served as well as from amounts related to the 21st Century Grant (also noted in the increase in restricted net assets).

Table 2 reflects the changes in net assets for fiscal year 2011 and fiscal year 2010.

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Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$11,199,487	\$13,258,812	(\$2,059,325)
Operating Grants and Contributions	4,229,942	3,699,777	530,165
Total Program Revenues	<u>15,429,429</u>	<u>16,958,589</u>	<u>(1,529,160)</u>
General Revenues			
Grants and Entitlements	478,471	468,986	9,485
Interest	55,284	66,052	(10,768)
Gifts and Donations	4,050	3,925	125
Miscellaneous	174,890	114,034	60,856
Total General Revenues	<u>712,695</u>	<u>652,997</u>	<u>59,698</u>
Total Revenues	<u>16,142,124</u>	<u>17,611,586</u>	<u>(1,469,462)</u>
<u>Expenses:</u>			
Instruction:			
Regular	1,561,668	1,670,726	(109,058)
Special	4,920,929	5,469,451	(548,522)
Vocational		212,706	(212,706)
Adult/Continuing	14,187	12,488	1,699
Support Services:			
Pupils	3,031,526	3,211,910	(180,384)
Instructional Staff	3,270,524	3,860,190	(589,666)
Board of Education	30,196	42,138	(11,942)
Administration	1,865,261	1,523,302	341,959
Fiscal	740,970	677,494	63,476
Operation and Maintenance of Plant	117,272	106,220	11,052
Pupil Transportation	77,118	62,824	14,294
Central	370,579	320,386	50,193
Non-Instructional Services	20,080	24,492	(4,412)
Intergovernmental	149,410	138,981	10,429
Total Expenses	<u>16,169,720</u>	<u>17,333,308</u>	<u>(1,163,588)</u>
Increase (Decrease) in Net Assets	(27,596)	278,278	(305,874)
Net Assets at Beginning of Year	6,055,372	5,777,094	278,278
Net Assets at End of Year	<u>\$6,027,776</u>	<u>\$6,055,372</u>	<u>(\$27,596)</u>

Program revenues were 96 percent of total revenues for fiscal year 2011 (the same as fiscal year 2010) 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 69 percent of total revenues for fiscal year 2011, a significant decrease from the prior fiscal year due, in large part, to Otsego Local School District severing their contract for services with the Educational Service Center as well as a reduction in services sold to other school districts. However, there was an increase in operating grants and contributions due to additional grant resources for the Safe Schools Healthy Students grant program.

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget, with 30 percent of overall expenses directly related to special instruction activities

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including instruction of gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, autistic, emotional disturbed, cognitive and specific learning disabled, and preschool disabled children. Special instruction costs decreased approximately 10 percent due to a decrease in services used by the various school districts.

Regular instruction costs (10 percent of total expenses) include opportunity programs, alternative programs, suspension programs, regular education substitute services, and intervention tutors. Regular instruction costs decreased approximately 7 percent from the prior fiscal year due the elimination of the Reading Recovery program.

Vocational instruction costs decreased 100 percent due to the elimination of a vocational instructor as well as the completion of the WIA Stimulus program.

Pupil support services were 19 percent of total expenses. These expenses include the costs of a nurse, school psychologists, speech language therapists, adapted physical education instructors, occupational therapists, and physical therapists. Pupil support service costs decreased approximately 6 percent due to the elimination of audiology services as well as a reduction in psychology services used by the various school districts.

Instructional staff expenses are for the services of school improvement specialists, paraprofessionals (teacher aides), and secretaries and represented 20 percent of total expenses. These costs decreased approximately 15 percent due to the elimination of a school improvement specialist and the reduction of paraprofessional staff for Otsego Local School District as well as other school districts.

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	
	2011	2010	2011	2010
Instruction:				
Regular	\$1,561,668	\$1,670,726	(\$692,232)	(\$829,189)
Special	4,920,929	5,469,451	(5,010,715)	(6,314,565)
Vocational		212,706		212,706
Adult/Continuing	14,187	12,488	14,187	12,488
Support Services:				
Pupils	3,031,526	3,211,910	476,531	1,347,655
Instructional Staff	3,270,524	3,860,190	2,983,274	3,504,615
Board of Education	30,196	42,138	30,196	42,138
Administration	1,865,261	1,523,302	1,848,406	1,498,605
Fiscal	740,970	677,494	576,541	534,064
Operation and Maintenance of Plant	117,272	106,220	117,272	106,220
Pupil Transportation	77,118	62,824	21,951	8,934
Central	370,579	320,386	345,459	288,866
Non-Instructional Services	20,080	24,492	(3,304)	(2,398)
Intergovernmental	149,410	138,981	32,725	(35,420)
Total Expenses	<u>\$16,169,720</u>	<u>\$17,333,308</u>	<u>\$740,291</u>	<u>\$374,719</u>

**Wood County Educational Service Center
Wood County
Management's Discussion and Analysis
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Unaudited**

Over 95 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 (teacher aides) are included in the instructional staff support services program. In contrast, instructional programs are charged to school districts and recorded by the Educational Service Center as charges for services revenue for activities related to regular, special, and adult/continuing instruction. Therefore, the instruction programs appear to be over funded while the instructional staff support services program seems to be quite under funded. Some expenses within the pupils and instructional staff support services program are also charged to school districts with the revenue recorded by the Educational Service Center as charges for services for activities related to special and regular 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 2011, expenditures exceeded revenues by 7 percent for the General Fund, mainly due to a decrease in services required by the school districts served by the Educational Service Center. Fund balance in the Community Centers Grant Fund increased by 17 percent. Although revenues decreased and expenditures increased from the prior fiscal year, revenues were in excess of expenditures. Expenditures in the Community Centers Grant Fund have also been offset by funds received from four five-year 21st Century Grants. Fiscal year 2012 will be the final funding year for two of these federal programs, with the remaining two expiring at the end of fiscal year 2014. Therefore, additional funds will need to be secured from alternative sources after fiscal year 2012 for the community learning centers program to stay solvent.

Capital Assets

At June 30, 2011, the Educational Service Center had \$1,924,049 invested in capital assets (net of accumulated depreciation), a slight decrease from fiscal year 2010. The reduction is due to depreciation expense exceeding capital acquisitions. 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 permanently reduced an additional 10 percent in fiscal year 2012 and another reduction of 15 percent in fiscal year 2013. This will be a 24 percent reduction in State funding over what educational service centers received in fiscal year 2011.

Costs for services will continue to increase due to salary schedule increases and years of experience increases. Insurance costs will continue their trend of increasing costs. Since the Educational Service Center charges school districts for services based on costs, charges for services will increase in fiscal year 2012.

As part of a legal agreement approved in February 2011, the Educational Service Center will offset the cost of services to the six local school districts in Wood County by \$1.1 million in fiscal year 2012, thereby reducing the Educational Service Center's cash balance by this amount.

**Wood County Educational Service Center
Wood County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited**

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
Wood County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,316,938
Accounts Receivable	114,400
Accrued Interest Receivable	1,592
Intergovernmental Receivable	452,974
Prepaid Items	5,968
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	<u>1,811,549</u>
Total Assets	<u>8,815,921</u>
 <u>Liabilities:</u>	
Accounts Payable	24,346
Accrued Wages and Benefits Payable	1,583,075
Matured Compensated Absences Payable	9,551
Intergovernmental Payable	373,427
Long-Term Liabilities:	
Due Within One Year	100,452
Due in More Than One Year	<u>697,294</u>
Total Liabilities	<u>2,788,145</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	1,924,049
Restricted for:	
Community Center	1,576,349
Alternative School	269,073
Other Purposes	165,536
Unrestricted	<u>2,092,769</u>
Total Net Assets	<u><u>\$6,027,776</u></u>

See Accompanying Notes to Basic Financial Statements

**Wood County Educational Service Center
Wood County
Statement of Activities
For the Fiscal Year Ended June 30, 2011**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$1,561,668	\$1,535,263	\$718,637	\$692,232
Special	4,920,929	8,682,044	1,249,600	5,010,715
Adult/Continuing	14,187			(14,187)
Support Services:				
Pupils	3,031,526	468,844	2,086,151	(476,531)
Instructional Staff	3,270,524	262,250	25,000	(2,983,274)
Board of Education	30,196			(30,196)
Administration	1,865,261	16,855		(1,848,406)
Fiscal	740,970	164,429		(576,541)
Operation and Maintenance of Plant	117,272			(117,272)
Pupil Transportation	77,118	55,167		(21,951)
Central	370,579	10,795	14,325	(345,459)
Non-Instructional Services	20,080	3,840	19,544	3,304
Intergovernmental	149,410		116,685	(32,725)
Total Governmental Activities	<u>\$16,169,720</u>	<u>\$11,199,487</u>	<u>\$4,229,942</u>	<u>(740,291)</u>
<u>General Revenues:</u>				
Grants and Entitlements not Related to Specific Programs				478,471
Interest				55,284
Gifts and Donations				4,050
Miscellaneous				174,890
Total General Revenues				<u>712,695</u>
Change in Net Assets				(27,596)
Net Assets at Beginning of Year				<u>6,055,372</u>
Net Assets at End of Year				<u>\$6,027,776</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Wood County
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Community Centers Grant</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,462,091	\$1,420,495	\$434,352	\$6,316,938
Accounts Receivable		114,400		114,400
Accrued Interest Receivable	1,592			1,592
Intergovernmental Receivable	152,204	53,791	246,979	452,974
Interfund Receivable	116,669	44,385		161,054
Prepaid Items	5,968			5,968
Total Assets	<u>\$4,738,524</u>	<u>\$1,633,071</u>	<u>\$681,331</u>	<u>\$7,052,926</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$7,505	\$3,485	\$13,356	\$24,346
Accrued Wages and Benefits Payable	1,469,813	8,134	105,128	1,583,075
Matured Compensated Absences Payable	9,551			9,551
Intergovernmental Payable	298,283	21,019	54,125	373,427
Interfund Payable			161,054	161,054
Deferred Revenue	2,677	122,028	35,917	160,622
Total Liabilities	<u>1,787,829</u>	<u>154,666</u>	<u>369,580</u>	<u>2,312,075</u>
<u>Fund Balances:</u>				
Nonspendable	5,968			5,968
Restricted		1,478,405	425,959	1,904,364
Assigned	93,919			93,919
Unassigned (Deficit)	2,850,808		(114,208)	2,736,600
Total Fund Balances	<u>2,950,695</u>	<u>1,478,405</u>	<u>311,751</u>	<u>4,740,851</u>
Total Liabilities and Fund Balances	<u>\$4,738,524</u>	<u>\$1,633,071</u>	<u>\$681,331</u>	<u>\$7,052,926</u>

See Accompanying Notes to the Basic Financial Statements

**Wood County Educational Service Center
Wood County
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011**

Total Governmental Fund Balances		\$4,740,851
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,924,049
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	105,937	
Intergovernmental Receivable	54,685	
		160,622
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(797,746)
Net Assets of Governmental Activities		\$6,027,776

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Wood County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Community Centers Grant</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:				
Intergovernmental	\$1,469,165	\$309,183	\$2,884,656	\$4,663,004
Interest	58,769			58,769
Tuition and Fees	559,247		110,768	670,015
Customer Services	9,589,473	652,580	658,528	10,900,581
Gifts and Donations	4,050	73,100		77,150
Miscellaneous	169,637	5,288		174,925
Total Revenues	<u>11,850,341</u>	<u>1,040,151</u>	<u>3,653,952</u>	<u>16,544,444</u>
Expenditures:				
Current:				
Instruction:				
Regular	627,735	393,741	684,419	1,705,895
Special	4,684,776		216,178	4,900,954
Adult/Continuing			14,187	14,187
Support Services:				
Pupils	1,828,439	6,111	1,241,110	3,075,660
Instructional Staff	2,576,088	275,178	554,371	3,405,637
Board of Education	30,196			30,196
Administration	1,501,019	10,865	349,486	1,861,370
Fiscal	499,938	33,943	219,934	753,815
Operation and Maintenance of Plant	90,293		26,489	116,782
Pupil Transportation	56,819	7,641	2,838	67,298
Central	150,192	99,280	211,660	461,132
Non-Instructional Services	16,833		3,247	20,080
Intergovernmental			149,410	149,410
Total Expenditures	<u>12,062,328</u>	<u>826,759</u>	<u>3,673,329</u>	<u>16,562,416</u>
Changes in Fund Balances	(211,987)	213,392	(19,377)	(17,972)
Fund Balances at Beginning of Year	<u>3,162,682</u>	<u>1,265,013</u>	<u>331,128</u>	<u>4,758,823</u>
Fund Balances at End of Year	<u>\$2,950,695</u>	<u>\$1,478,405</u>	<u>\$311,751</u>	<u>\$4,740,851</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Wood County
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, 2011

Changes in Fund Balances - Total Governmental Funds (\$17,972)

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

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

Capital Outlay	18,873	
Depreciation	(80,185)	
	(61,312)	(61,312)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (427)

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

Intergovernmental	(27,691)	
Interest	(3,485)	
Tuition and Fees	2,477	
Customer Services	31,675	
Miscellaneous	(35)	
	2,941	2,941

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. 49,174

Change in Net Assets of Governmental Activities (\$27,596)

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 six administrators, two hundred twenty-five classified employees, and one hundred thirty-four 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 insure the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For 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. There are no component units of the Wood County Educational Service Center.

The Educational Service Center participates in four 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 School Plan, and the Wood County Insurance Consortium. These organizations are presented in Notes 15 and 16 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. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Educational Service Center's accounting policies.

A. Basis of Presentation

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

Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the government activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational 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 two major funds are the General Fund and the Community Centers Grant special revenue fund.

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.

Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

C. Measurement Focus

Government-Wide Financial Statements

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

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 revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Service Center on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

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

Expenses/Expenditures

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

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

E. Cash and Investments

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

During fiscal year 2011, 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 share price, which is the price the investment could be sold for on June 30, 2011.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$58,769, which includes \$16,354 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, 2011, 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.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 2 - Summary of Significant Accounting Policies (continued)

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 assets but are not reported on the fund financial statements.

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

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 are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

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.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 2 - Summary of Significant Accounting Policies (continued)

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 Assets

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

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

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 Education. The committed amounts cannot be used for any other purpose unless the Board of Education 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. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 2 - Summary of Significant Accounting Policies (continued)

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 2011, these funds included the Miscellaneous State Grants and Preschool 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, 2011, the Miscellaneous State Grants, Parent Mentor, Title I, Preschool, Drinking and Drug Abuse Prevention, Reduce Alcohol Abuse and Drug Testing, and Safe and Healthy Schools special revenue funds had deficit fund balances of \$2,371, \$668, \$71, \$1,729, \$23,810, \$12,229, and \$73,330, 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.

Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - Deposits and Investments (continued)

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 year end, \$37,000 of the Educational Service Center's bank balance of \$6,416,977 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.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 4 - Deposits and Investments (continued)

The Educational Service Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Educational Service Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2011, the fair value of funds on deposit with STAR Ohio was \$1,001. The Educational Service Center's investment in STAR Ohio had an average maturity of 58.3 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, 2011, consisted of accounts, accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 6 – Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Funds	
General Fund	
Tuition	\$151,355
Miscellaneous	849
Total General Fund	152,204
Community Centers Grant Fund	
Community Centers Grant	53,791
Total Major Funds	205,995
Other Governmental Funds	
Alternative School	2,297
Miscellaneous State Grants	11,162
Private Industry Council	32,349
Parent Mentor	4,850
Title I	10,172
Preschool	12,042
21 st Century	150,297
Drinking and Drug Abuse Prevention	23,810
Total Other Governmental Funds	246,979
Total Intergovernmental Receivables	\$452,974

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$112,500			\$112,500
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	649,713	\$18,873	(\$84,311)	584,275
Building	2,149,640			2,149,640
Total Depreciable Capital Assets	2,799,353	18,873	(84,311)	2,733,915
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(603,619)	(26,444)	83,884	(546,179)
Building	(322,446)	(53,741)		(376,187)
Total Accumulated Depreciation	(926,065)	(80,185)	83,884	(922,366)
Depreciable Capital Assets, Net	1,873,288	(61,312)	(427)	1,811,549
Governmental Activities Capital Assets, Net	\$1,985,788	(\$61,312)	(\$427)	\$1,924,049

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 7 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$10,149
Special	14,233
Support Services:	
Pupils	18,089
Instructional Staff	7,292
Administration	23,100
Fiscal	5,897
Operation and Maintenance of Plant	516
Central	909
Total Depreciation Expense	\$80,185

Note 8 - Interfund Assets/Liabilities

At June 30, 2011, the General Fund and the Community Centers Grant special revenue funds had interfund receivables, in the amount of \$116,669 and \$44,385, respectively, from other governmental funds as a result of providing cash flow resources until the receipt of grant monies.

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 2011, 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	
Property	3,752,864

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 2011, 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 Insurance Consortium (WCIC), 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 WCIC for employee medical and dental benefits.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 9 - Risk Management (continued)

WCIC is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the WCIC, 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 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$632,841, \$728,472, and \$782,423 respectively; 75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DCP and CP for fiscal year 2011 were \$56,893 made by the Educational Service Center and \$40,638 made by the plan members.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 10 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$465,653, 573,140, and \$363,370 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, 2011, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$53,056, \$60,556, and \$61,468 respectively; 75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2011, 1.43 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 2011, the surcharge amount was \$78,857.

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, 2011, 2010, and 2009 was \$56,383, \$20,629, and \$166,295 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 2011, 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, 2011, 2010, and 2009 was \$29,966, \$34,083, and \$29,981 respectively; 100 percent has been contributed for all three fiscal years.

Note 12 - 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 and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, superintendents, 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 Insurance Consortium (WCIC). The Educational Service Center also offers life insurance to all employees through American United Life Insurance.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 13 - Long Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$846,920		\$49,174	\$797,746	\$100,452

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

Note 14 - 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	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$5,968			\$5,968
Restricted for:				
Alternative School			\$269,073	269,073
Community Learning Center		\$1,478,405	27,000	1,505,405
Drug Abuse Education			4,212	4,212
Juvenile Detention Center			16,061	16,061
Wellness Activities			27,889	27,889
Workforce Improvement			81,724	81,724
Total Restricted		1,478,405	425,959	1,904,364
Assigned for:				
Educational Activities	3,615			3,615
Unpaid Obligations	90,304			90,304
Total Assigned	93,919			93,919
Unassigned:	2,850,808		(114,208)	2,736,600
Total Fund Balance	\$2,950,695	\$1,478,405	\$311,751	\$4,740,851

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 15 - 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. Four board members are appointed during the even number years, one each from the Northwest Ohio Educational Service Center and the Wood County Educational Service Center, and one each from the Bowling Green City School District and the Perrysburg Exempted Village School District. Five Board members are appointed during the odd number years, one each from the Lucas County Educational Service Center, the North Point Educational Service Center, and the Wood County Educational Service Center, and one each from the Maumee City School District and the Rossford Exempted Village School District. 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.

Note 15 - Jointly Governed Organizations (continued)

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 2011, the Educational Service Center paid \$41,560 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.

**Wood County Educational Service Center
Wood County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 15 - Jointly Governed Organizations (continued)

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Note 16 - Insurance Pools

A. 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 Insurance Consortium

The Wood County Insurance Consortium (WCIC) 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. WCIC 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 WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Medical Mutual of Ohio, P.O. Box 943, Toledo, Ohio 43656.

Note 17 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2011.

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
Wood County
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$1,515,288	\$1,469,165	\$1,469,165	
Interest	48,000	65,325	64,860	(\$465)
Tuition and Fees	558,044	561,889	538,405	(23,484)
Customer Services	9,666,838	9,636,812	9,513,330	(123,482)
Gifts and Donations	5,400	4,050	4,050	
Miscellaneous	143,515	126,890	88,183	(38,707)
Total Revenues	<u>11,937,085</u>	<u>11,864,131</u>	<u>11,677,993</u>	<u>(186,138)</u>
Expenditures:				
Current:				
Instruction:				
Regular	697,247	701,604	636,408	65,196
Special	4,832,144	4,843,360	4,743,531	99,829
Support Services:				
Pupils	1,883,224	1,916,681	1,856,748	59,933
Instructional Staff	2,871,614	2,774,073	2,668,306	105,767
Board of Education	40,666	42,104	33,485	8,619
Administration	962,503	1,631,400	1,531,412	99,988
Fiscal	521,939	522,401	498,514	23,887
Operation and Maintenance of Plant	104,888	107,740	101,200	6,540
Pupil Transportation	63,024	63,624	55,822	7,802
Central	177,866	205,820	176,508	29,312
Non-Instructional Services	21,129	21,130	16,914	4,216
Total Expenditures	<u>12,176,244</u>	<u>12,829,937</u>	<u>12,318,848</u>	<u>511,089</u>
Excess of Revenues Under Expenditures	<u>(239,159)</u>	<u>(965,806)</u>	<u>(640,855)</u>	<u>324,951</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	45,660	43,545	43,545	
Other Financing Uses	(266,000)	(55,601)		55,601
Advances In	4,106	4,106	4,106	
Advances Out	(4,100)	(77,944)	(77,944)	
Total Other Financing Sources (Uses)	<u>(220,334)</u>	<u>(85,894)</u>	<u>(30,293)</u>	<u>55,601</u>
Changes in Fund Balance	(459,493)	(1,051,700)	(671,148)	380,552
Fund Balance at Beginning of Year	4,893,289	4,893,289	4,893,289	
Prior Year Encumbrances Appropriated	141,418	141,418	141,418	
Fund Balance at End of Year	<u>\$4,575,214</u>	<u>\$3,983,007</u>	<u>\$4,363,559</u>	<u>\$380,552</u>

See Accompanying Notes to the Supplemental Section

Wood County Educational Service Center
Wood County
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, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$266,014	\$326,229	\$328,162	\$1,933
Customer Services	683,840	633,259	636,780	3,521
Gifts and Donations	73,000	73,100	73,100	
Total Revenues	<u>1,022,854</u>	<u>1,032,588</u>	<u>1,038,042</u>	<u>5,454</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	567,604	531,477	416,618	114,859
Support Services:				
Pupils	12,631	12,586	7,774	4,812
Instructional Staff	274,399	283,499	275,049	8,450
Administration	14,858	16,256	12,487	3,769
Fiscal	28,842	42,826	33,824	9,002
Pupil Transportation	29,000	29,000	25,900	3,100
Central	96,674	108,366	101,759	6,607
Total Expenditures	<u>1,024,008</u>	<u>1,024,010</u>	<u>873,411</u>	<u>150,599</u>
Excess of Revenue Over (Under) Expenditures	(1,154)	8,578	164,631	156,053
<u>Other Financing Uses</u>				
Refund of Prior Year Receipts	<u>(1,000)</u>	<u>(1,000)</u>	<u>(233)</u>	<u>767</u>
Changes in Fund Balance	(2,154)	7,578	164,398	156,820
Fund Balance at Beginning of Year	1,087,347	1,087,347	1,087,347	
Prior Year Encumbrances Appropriated	<u>122,900</u>	<u>122,900</u>	<u>122,900</u>	
Fund Balance at End of Year	<u><u>\$1,208,093</u></u>	<u><u>\$1,217,825</u></u>	<u><u>\$1,374,645</u></u>	<u><u>\$156,820</u></u>

See Accompanying Notes to the Supplemental Section

**Wood County Educational Service Center
Wood County
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2011**

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 Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Community Centers Grant special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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
Wood County
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2011**

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
GAAP Basis	(\$211,987)	\$213,392
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued FY 2010, Received in Cash FY 2011	61,041	88,439
Accrued FY 2011, Not Yet Received in Cash	(189,844)	(90,548)
Expenditure Accruals:		
Accrued FY 2010, Paid in Cash FY 2011	(1,941,849)	(33,673)
Accrued FY 2011, Not Yet Paid in Cash	1,785,152	32,638
Prepaid Items	(1,291)	
Advances In	4,106	
Advances Out	(77,944)	
Encumbrances Outstanding at Year End (Budget Basis)	(98,532)	(45,850)
Budget Basis	(\$671,148)	\$164,398

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program		10.553	\$ 14,034	\$ 14,034
National School Lunch Program		10.555	27,255	27,255
Summer Food Service Program for Children		10.559	7,238	7,238
Total Child Nutrition Cluster			48,527	48,527
Child and Adult Care Food Program		10.558	496	496
Total U.S. Department of Agriculture			49,023	49,023
UNITED STATES DEPARTMENT OF EDUCATION				
Safe and Drug-Free Schools and Communities - National Program:				
Alcohol Abuse Reduction Grant	2009	84.184A	6,241	6,241
	2011	84.184A	317,627	317,677
Total Safe and Drug-Free Schools and Communities - National Program: Alcohol Abuse Reduction Grant			323,868	323,918
Safe and Drug-Free Schools and Communities - National Program:				
Grant for School-Based Student Drug Testing	2011	84.184D	155,731	155,731
Safe Schools Healthy Students	2011	84.184L	749,528	749,528
<i>Passed Through the Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	043679-6BSF-2010	84.027	3,358	4,197
	043679-6BSF-2011	84.027	20,150	20,150
Total Special Education Grants to States			23,508	24,347
Special Education Preschool Grants	043679-PGS1-2010	84.173	8,119	10,091
	043679-PGS1-2011	84.173	52,615	55,527
Total Special Education Preschool Grants			60,734	65,618
Special Education Preschool Grants - ARRA	043679-STIMDK-2010	84.392	2,500	2,500
	043679-STIMDK-2011	84.392	30,461	31,862
Total Special Education Preschool Grants - ARRA			32,961	34,362
Total Special Education Cluster			117,203	124,327
Twenty-First Century Community Learning Centers	2010	84.287	7,537	5,487
	2011	84.287	511,906	575,366
Total Twenty-First Century Community Learning Centers			519,443	580,853
Title I Cluster:				
Title I Grants to Local Educational Agencies	043679-C1S1-2011	84.010	151,495	157,680
Title I Grants to Local Educational Agencies - ARRA	043679-STIMDK-2010	84.389	2,500	2,500
	043679-STIMDK-2011	84.389	43,393	49,880
Total Title I Grants to Local Educational Agencies - ARRA			45,893	52,380
Total Title I Cluster			197,388	210,060
Total U.S. Department of Education			2,063,161	2,144,417
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Wood County Department of Alcohol, Drug Addiction, and Mental Health Services</i>				
Block Grant for Prevention and Treatment of Substance Abuse		93.959	92,955	92,955
TOTAL - FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$ 2,205,139	\$2,286,395

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an Integral Part of This Schedule.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wood County Education 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 - 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 ACCOUNTANTS' 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 43402-9086

To the Governing Board:

We have audited the 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, 2011, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Wood County Educational Service Center
Wood County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Dave Yost
Auditor of State

November 14, 2011



Dave Yost • Auditor of State

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

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-9086

To the Governing Board:

Compliance

We have audited the compliance of Wood County Educational Service Center, Wood County, Ohio (the Educational Service Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Educational Service Center's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Educational Service Center's major federal programs. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Educational Service Center's compliance based on our audit.

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

In our opinion, the Wood County Educational Service Center, Wood County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over compliance.

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

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

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



Dave Yost
Auditor of State

November 14, 2011

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster CFDA #84.010 – Title I Grants to Local Educational Agencies, CFDA #84.389 ARRA - Title I Grants to Local Educational Agencies 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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Dave Yost • Auditor of State

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
NOVEMBER 29, 2011