WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The schedules of revenues, expenditures and changes in fund balance – budget and actual General Fund and Community Centers Grant Fund present additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The discussion and analysis of Wood County Educational Service Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Center's financial performance.

Highlights

Highlights for fiscal year 2016 are as follows:

Total net position increased by $972,584, or 6 percent from the prior fiscal year.

Using the Basic Financial Statements

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

The statement of net position and the statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the 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 Center's most significant funds, with all other non-major funds presented in total in a single column. For the Center, the General Fund and the Community Centers Grant special revenue fund are the most significant funds.

Reporting the Center as a Whole

The statement of net position and the statement of activities reflect how the Center did financially during fiscal year 2016. 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 Center's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include facility conditions, required educational programs, and other factors.

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

Reporting the Center's Most Significant Funds

Fund financial statements provide detailed information about the Center's major funds. While the Center uses many funds to account for its financial transactions, the fund financial statements focus on the Center's most significant funds. The Center's major funds are the General Fund and the Community Centers Grant special revenue fund.

Governmental Funds - All of the 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 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 Center as a Whole

Table 1 provides a summary of the Center's net position for fiscal year 2016 compared to fiscal year 2015:

Table 1
Net Position

	Governmental Activities		
	2016	2015	Change
Assets:			
Current and Other Assets	$7,491,876	$7,194,442	$297,434
Capital Assets, Net	1,646,526	1,681,663	(35,137)
Total Assets	9,138,402	8,876,105	262,297
Deferred Outflows of Resources:			
Pension	1,931,861	1,458,021	473,840
Liabilities:			
Current and Other Liabilities	1,252,953	1,506,028	253,075
Long-Term Liabilities:			
Due Within One Year	69,777	118,835	49,058
Due in More Than One Year:			
Net Pension Liability	22,041,383	20,759,556	(1,281,827)
Other Amounts	376,668	443,437	66,769
Total Liabilities	23,740,781	22,827,856	(912,925)
Deferred Inflows of Resources:			
Pension	2,529,796	3,679,168	1,149,372

Net Position:			
Net Investment in Capital Assets	1,646,526	1,681,663	(35,137)
Restricted	3,213,440	2,872,177	341,263
Unrestricted (Deficit)	(20,060,280)	(20,726,738)	666,458
Total Net Position (Deficit)	($15,200,314)	($16,172,898)	$972,584

The net pension liability is the largest liability reported by the Center at June 30, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability to equal the Center's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the Center. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the Center's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Overall, net position increased 6 percent from the prior fiscal year. Note the increase in current and other assets is primarily due to an increase in cash and cash equivalents and generally due to a decrease in program expenses (which fluctuate annually based on services requested by the supported school districts and grant funding). The decrease in current and other liabilities is largely compensation related due to staff changes and timing of payments (payroll and severance). The above items affected both restricted and unrestricted net position.

Table 2 reflects the changes in net position for fiscal year 2016 and fiscal year 2015.

Table 2
Changes in Net Position

	Governmental Activities		
	2016	2015	Change
Revenues:			
Program Revenues			
Charges for Services	$9,419,476	$11,454,090	($2,034,614)
Operating Grants and Contributions	3,123,582	2,949,307	174,275
Total Program Revenues	12,543,058	14,403,397	(1,860,339)
General Revenues			
Grants and Entitlements	104,952	99,066	5,886
Interest	51,474	43,352	8,122
Gifts and Donations	3,450	3,330	120
Miscellaneous	96,018	145,155	(49,137)
Total General Revenues	255,894	290,903	(35,009)
Total Revenues	12,798,952	14,694,300	(1,895,348)
Expenses:			
Instruction:			
Regular	1,947,303	2,024,906	77,603
Special	2,378,316	4,108,893	1,730,577
Support Services:			
Pupils	4,575,819	4,532,671	(43,148)
Instructional Staff	352,697	364,571	11,874
Board of Education	26,435	29,944	3,509
Administration	1,172,515	1,197,637	25,122
Fiscal	731,262	784,631	53,369
Business	515	0	(515)
Operation and Maintenance of Plant	102,024	129,924	27,900
Pupil Transportation	7,558	80,033	72,475

Central	336,332	225,109	(111,223)
Non-Instructional Services	22,226	28,620	6,394
Intergovernmental	173,366	118,868	(54,498)
Total Expenses	11,826,368	13,625,807	1,799,439
Increase in Net Position	972,584	1,068,493	(95,909)
Net Position (Deficit) at Beginning of Year	(16,172,898)	(17,241,391)	1,068,493
Net Position (Deficit) at End of Year	(15,200,314)	(16,172,898)	$972,584

Program revenues were 98 percent of total revenues for both fiscal year 2016 and fiscal year 2015 and are primarily represented by charges for educational programs provided to the school districts served by the Center. The services being charged to the school districts involve various instruction and support services. The 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 74 percent of total revenues for fiscal year 2016. Note the decrease in charges for services revenue from the prior fiscal year due to the elimination of the Severe Learning Disabled program as well as preschool program services to the Lake Local School District. The increase in operating grants and contributions is related to the 21st Century and Project Aware federal grant programs.

Expenses related to the services charged to school districts are a large portion of the Center's budget and dependent on the level of services requested by those school districts which vary from year to year. Overall expenses decreased approximately 13 percent from the prior fiscal year.

Regular instruction costs (16 percent of total expenses) include opportunity programs, alternative programs, suspension programs, regular education substitute services, and intervention tutors.

Approximately 20 percent of overall expenses were related to special instruction activities including instruction in such areas as gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, autistic, emotional disturbed, cognitive and specific learning disabled, and preschool disabled children.

Pupil support services were 39 percent of total expenses. These expenses include the costs of a nurse, school psychologists, speech language therapists, adapted physical education instructors, occupational therapists, physical therapists, and prevention specialists.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction:				
Regular	$1,947,303	$2,024,906	($1,014,458)	($884,266)

Special	2,378,316	4,108,893	(4,788,787)	(4,823,747)
Support Services:				
Pupils	4,575,819	4,532,671	3,011,556	2,781,197
Instructional Staff	352,697	364,571	43,578	187,221
Board of Education	26,435	29,944	26,435	29,944
Administration	1,172,515	1,197,637	1,139,837	1,034,686
Fiscal	731,262	784,631	510,909	649,652
Business	515	0	515	0
Operation and Maintenance of Plant	102,024	129,924	82,475	108,331
Pupil Transportation	7,558	80,033	3,086	(33,529)
Central	336,332	225,109	274,531	165,889
Non-Instructional Services	22,226	28,620	(6,369)	4,186
Intergovernmental	173,366	118,868	2	2,846
Total Expenses	$11,826,368	$13,625,807	($716,690)	($777,590)

All of the Center's costs for providing services were supported by program revenues for fiscal year 2016.

Expenses for paraprofessionals are included in the instructional staff support services program. In contrast, instructional programs are charged to school districts and recorded by the Center as charges for services revenue for activities related to regular and special instruction. The instruction programs appear to be over funded while support services programs seem to be quite under funded due to the allocation of professional and paraprofessional support staff charged against the support services programs relative to regular and special instruction.

The Center's Funds

The Center's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2016, fund balance in the General Fund increased 8 percent. Both revenues and expenditures decreased by a similar percentage (about 17 percent); however, revenues continued to exceed expenditures.

Fund balance in the Community Centers Grant Fund increased over 14 percent from the prior fiscal year. Revenues increased approximately 16 percent while expenditures only increased 3 percent.

Capital Assets

At June 30, 2016, the Center had $1,646,526 net investment in capital assets. Additions consisted of computer equipment and disposals included computer and other office equipment. For further information regarding the Center's capital assets, refer to Note 8 to the basic financial statements.

Current Issues

As part of House Bill 64, the fiscal year 2016-2017 Biennial State Operating Budget, educational service center funding was to be reduced by 5.1 percent to $37.95 million in fiscal year 2016 by the Ohio General Assembly and increased 9.1 percent in fiscal year 2017. In June, 2016, House Bill 390 was passed which restored educational service center funding to fiscal year 2015 levels of $41.6 million. This increase was incorporated into Wood County Educational Service Center's final fiscal year payment in June 2016, increasing our State funding by $23,252.

Under temporary law, educational service center per pupil funding is set at $33/student for all educational service centers in fiscal year 2016. It is important to note, that in order to actually fund $33/student, the appropriation would have to be $51,160,136. Educational service centers are, in effect, under funded by $13.2 million.

For fiscal year 2017, educational service center funding is, again, set at $33/student. However, the State Board of Education is required to develop performance measures for educational service centers (explained below). Those deemed to be "high performing" may earn up to $35/student. However, once again, there is not enough funding in the appropriation to fund the increased amount. No educational service center will earn $33/student or $35/student, and the per pupil amounts will be prorated to fit within the appropriation. Ultimately, the appropriation is under funded by anywhere between $9.8 million to $12.9 million depending on how many educational service centers are deemed "high performing".

Under current law, all school districts under 16,000 average daily membership (ADM) are required to align to an educational service center. For those over 16,000 ADM, they may voluntarily align. In fiscal year 2015, Cincinnati, Columbus and Southwestern city school districts were all aligned to their respective educational service centers. Effective July 1, 2015, Cleveland Municipal School District and Akron City School District will be aligned to the educational service center of Cuyahoga County. Current law does not limit when a school district over 16,000 ADM, previously unaligned to an educational service center, may join an educational service center for the first time. This adds 59,225 students to the finite, and reduced, pot of educational service center funding thereby further reducing the per pupil funding for most educational service centers. This offsets any increases in fiscal year 2017. The only remaining school district not aligned to an educational service center is Toledo City School District.

The State Board of Education is charged with defining "high performing primary educational service centers" and with developing performance measures for educational service centers that demonstrate reduced client school district expenditures in fiscal year 2016 through efficiencies attained by coordinating and consolidating services. The State Board of Education is also required to adopt rules governing the distribution of State funds to educational service centers for fiscal year 2017. As discussed above, educational service center base funding is set at $33/student (pro-rated to fit within the appropriation) and "high performing educational service centers" may earn their way to $35/student (pro-rated to fit with the appropriation).

Costs for services sold in fiscal year decreased due to the elimination of the Severe Learning Disabled program as well as the elimination of preschool program services to Lake Local School District. Even though the Center granted salary schedule years of experience increases, 1.75 percent salary raises, and medical insurance increases, which were 1.8 percent for fiscal year 2016, the net effect of the increases did not offset the loss of revenue due to the elimination of preschool program services to Lake Local School District and Severe Learning Disabled program services to school districts. The permanent elimination of health insurance benefits to paraprofessional staff in fiscal year 2012 continues to have a positive effect on holding down the costs for services sold.

Due to the implementation of the Affordable Health Care in fiscal year 2016, the Center was required to offer health insurance to all employees who worked an average of thirty hours per week. This had a small affect on the cost of services sold in fiscal year 2016 as very few employees that qualified from the Affordable Health Care Act elected to participate in insurance offered by the Center.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Center's finances and to reflect the 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.

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Wood County Educational Service Center
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,844,095
Accounts Receivable	237,524
Accrued Interest Receivable	2,299
Intergovernmental Receivable	394,326
Prepaid Items	1,527
Due from External Parties	12,105
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	1,534,026
Total Assets	9,138,402
Deferred Outflows of Resources:	
Pension	1,931,861
Liabilities:	
Accounts Payable	12,593
Accrued Wages and Benefits Payable	1,058,370
Matured Compensated Absences Payable	2,140
Intergovernmental Payable	179,850
Long-Term Liabilities:	
Due Within One Year	69,777
Due in More Than One Year:	
Net Pension Liability	22,041,383
Other Amounts Due in More Than One Year	376,668
Total Liabilities	23,740,781
Deferred Inflows of Resources:	
Pension	2,529,796
Net Position:	
Net Investment in Capital Assets	1,646,526
Restricted for:	
Community Center	2,655,906
Wellness Activities	67,739
Alternative School	137,615
Private Industry Council	77,544
Other Purposes	274,636
Unrestricted (Deficit)	(20,060,280)
Total Net Position (Deficit)	($15,200,314)

See Accompanying Notes to Basic Financial Statements

Wood County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$1,947,303	$1,924,937	$1,036,824	$1,014,458
Special	2,378,316	6,713,638	453,465	4,788,787
Support Services:				
Pupils	4,575,819	441,234	1,123,029	(3,011,556)
Instructional Staff	352,697	8,112	301,007	(43,578)
Board of Education	26,435	0	0	(26,435)
Administration	1,172,515	32,678	0	(1,139,837)
Fiscal	731,262	220,353	0	(510,909)
Business	515	0	0	(515)
Operation and Maintenance of Plant	102,024	19,549	0	(82,475)
Pupil Transportation	7,558	4,472	0	(3,086)
Central	336,332	50,851	10,950	(274,531)
Non-Instructional Services	22,226	3,652	24,943	6,369
Intergovernmental	173,366	0	173,364	(2)
Total Governmental Activities	$11,826,368	$9,419,476	$3,123,582	716,690
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				104,952
Interest				51,474
Gifts and Donations				3,450
Miscellaneous				96,018
Total General Revenues				255,894
Change in Net Position				972,584
Net Position (Deficit) at Beginning of Year				(16,172,898)
Net Position (Deficit) at End of Year				($15,200,314)

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2016

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$3,954,297	$2,564,461	$325,337	$6,844,095
Accounts Receivable	901	236,453	170	237,524
Accrued Interest Receivable	2,299	0	0	2,299
Intergovernmental Receivable	85,701	19,810	288,815	394,326
Interfund Receivable	85,192	59,445	0	144,637
Prepaid Items	1,527	0	0	1,527
Due from External Parties	12,105	0	0	12,105
Total Assets	$4,142,022	$2,880,169	$614,322	$7,636,513
Liabilities:				
Accounts Payable	$2,635	$2,976	$6,982	$12,593
Accrued Wages and Benefits Payable	991,066	3,051	64,253	1,058,370
Matured Compensated Absences Payable	2,140	0	0	2,140
Intergovernmental Payable	143,426	23,708	12,716	179,850
Interfund Payable	0	0	144,637	144,637
Total Liabilities	1,139,267	29,735	228,588	1,397,590
Deferred Inflows of Resources:				
Unavailable Revenue	1,648	194,528	56,663	252,839
Fund Balances:				
Nonspendable	1,527	0	0	1,527
Restricted	0	2,655,906	338,274	2,994,180
Committed	94,573	0	0	94,573
Assigned	313,271	0	0	313,271
Unassigned (Deficit)	2,591,736	0	(9,203)	2,582,533
Total Fund Balances	3,001,107	2,655,906	329,071	5,986,084
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,142,022	$2,880,169	$614,322	$7,636,513

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances		$5,986,084
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,646,526
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	193,446	
Intergovernmental Receivable	59,393	
		252,839
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(446,445)
The net pension liability is not due and payable in the current period, therefore, the liablity and related deferred outflows/inflows are not reported in the funds.		
Deferred Outflows - Pension		1,931,861
Deferred Inflows - Pension		(2,529,796)
Net Pension Liability		(22,041,383)
Net Position of Governmental Activities		($15,200,314)

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental	$354,330	$356,417	$2,492,479	$3,203,226
Interest	51,474	0	0	51,474
Tuition and Fees	625,831	0	177,910	803,741
Customer Services	8,210,562	593,751	185,576	8,989,889
Gifts and Donations	3,450	81,081	1,000	85,531
Miscellaneous	94,381	0	50	94,431
Total Revenues	9,340,028	1,031,249	2,857,015	13,228,292
Expenditures:				
Current:				
Instruction:				
Regular	1,018,307	502,199	801,156	2,321,662
Special	2,425,279	0	115,124	2,540,403
Support Services:				
Pupils	3,893,152	0	837,473	4,730,625
Instructional Staff	219,526	27,284	128,424	375,234
Board of Education	26,688	0	0	26,688
Administration	859,466	5,101	353,795	1,218,362
Fiscal	498,759	26,028	206,908	731,695
Business	0	0	515	515
Operation and Maintenance of Plant	102,978	0	0	102,978
Pupil Transportation	3,374	15,035	0	18,409
Central	52,250	117,275	174,001	343,526
Non-Instructional Services	19,301	0	3,031	22,332
Intergovernmental	0	0	173,366	173,366
Total Expenditures	9,119,080	692,922	2,793,793	12,605,795
Changes in Fund Balances	220,948	338,327	63,222	622,497
Fund Balances at Beginning of Year	2,780,159	2,317,579	265,849	5,363,587
Fund Balances at End of Year	$3,001,107	$2,655,906	$329,071	$5,986,084

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2016

Changes in Fund Balances - Total Governmental Funds		$622,497
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.		
Depreciable Capital Assets	27,303	
Depreciation	(62,440)	
		(35,137)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Intergovernmental	(56,773)	
Tuition and Fees	(405)	
Customer Services	(16,397)	
Miscellaneous	1,587	
		(71,988)
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.		115,827
Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.		(813,141)
Contractually required pension contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows or a reduction of the liability.		1,154,526
Change in Net Position of Governmental Activities		$972,584

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency
Assets:	
Equity in Pooled Cash and Cash Equivalents	$146,736
Liabilities:	
Undistributed Assets	$134,631
Due to External Parties	12,105
Total Liabilities	$146,736

See Accompanying Notes to the Basic Financial Statements

Note 1 - Reporting Entity

The Wood County Educational Service Center (the Center) is located in Bowling Green, Ohio, the county seat. The 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 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 Center has four administrators, two hundred eighty-five classified employees, and one hundred seventy-one certified employees who provide services to the local, exempted village, and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Center consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For Wood County Educational Service Center, this includes general operations and student-related activities.

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

The Center participates in five jointly governed organizations and two insurance pools. These organizations are the Penta Career Center, the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Ohio Schools Council, the Ohio School Plan, and the Wood County Schools Benefit Plan Association. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Wood County Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Center's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the 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 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 Center has no business-type activities.

The statement of net position presents the financial condition of the government activities of the 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 Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 Center.

Fund Financial Statements

During the fiscal year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental 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 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. The Center's funds are reported in two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which all governmental functions of the 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 and deferred inflows of resources is reported as fund balance. The Center's 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

Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Center's own programs. The Center did not have any trust funds in fiscal year 2016. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency fund accounts for the operations of Northwest Ohio Educational Training, a technology and professional development center.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the 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 Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 12 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Center, deferred inflows of resources includes unavailable revenue and pension. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Center, unavailable revenue includes intergovernmental revenue including grants, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 14. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 12 to the basic financial statements.

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 Center is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through Center records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2016, investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2016.

The Center allocates interest according to State statues. Interest revenue credited to the General Fund during fiscal year 2016 was $51,474, which includes $34,350 assigned from other 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 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, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Capital Assets

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

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

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

Description	Useful Lives
Furniture, Fixtures, and Equipment	5-7 years
Building	40 years

H. Interfund Assets/Liabilities

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The 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 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 Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees who have ten or more years of service with the Center.

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes consists of federal and state grants. The Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the 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 Center for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education has also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2017 budget as well as certain resources for educational activities.

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

The 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 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 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 2016, these funds included the Miscellaneous State Grants, Preschool, and Early Childhood Education special revenue funds.

N. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

P. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2016, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Center's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the Center's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Center's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2016, the Miscellaneous State Grants; Parent Mentor; Preschool; snd Drug-Free Communities special revenue funds had deficit fund balances of $242, $532, $281, and $8,148, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 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, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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 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.

<u>Deposits</u>

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, $813,939 of the Center's bank balance of $6,389,160 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 Center to a successful claim by the FDIC.

The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the 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, 2016, the fair value of funds on deposit with STAR Ohio was $695,141. The Center's investments in STAR Ohio had an average maturity of 48.6 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The Center has no policy regarding interest rate or credit risk beyond the requirements of State statue. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 - State Funding

The 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 Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Center's 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 Center. The Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Center also receives funding from the State Department of Education, in the amount of $33 multiplied by the average daily membership of the Center. Average daily membership includes the total student counts of all of the local school districts served by the 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 Center an amount equal to $6.50 multiplied by the school district's total student count and remits this amount to the Center.

The 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 Center.

Note 7 - Receivables

Receivables at June 30, 2016, consisted of accounts, accrued interest, intergovernmental, and interfund receivables, as well as amounts due from external parties. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Funds	
General Fund	
Tuition	$3,264
Customer Services	1,352
Intergovernmental	3,423

Miscellaneous	77,662
Total General Fund	85,701
Community Centers Grant Fund	
Community Centers Grant	19,810
Total Major Funds	105,511

	Amounts
Other Governmental Funds	
Alcohol, Tobacco, and Other Drug Abuse Prevention	$58,407
Early Childhood Education Expansion	48,000
Alternative School	3,976
Miscellaneous State Grants	7,987
Private Industry Council	34,942
Title I	23,380
Preschool	3,566
21st Century	93,337
Drug-Free Communities	7,596
Project Aware	7,624
Total Other Governmental Funds	288,815
Total Intergovernmental Receivables	$394,326

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16
Governmental Activities				
Nondepreciable Capital Assets				
Land	$112,500	$0	$0	$112,500
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	394,718	27,303	(29,215)	392,806
Building	2,149,640	0	0	2,149,640
Total Depreciable Capital Assets	2,544,358	27,303	(29,215)	2,542,446
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(384,044)	(8,699)	29,215	(363,528)
Building	(591,151)	(53,741)	0	(644,892)
Total Accumulated Depreciation	(975,195)	(62,440)	29,215	(1,008,420)
Depreciable Capital Assets, Net	1,569,163	(35,137)	0	1,534,026
Governmental Activities Capital Assets, Net	$1,681,663	($35,137)	0	$1,646,526

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$9,706
Special	5,937
Support Services:	
Pupils	15,440
Instructional Staff	7,150
Administration	17,137
Fiscal	6,161
Central	909
Total Depreciation Expense	$62,440

Note 9 - Interfund Assets/Liabilities

At June 30, 2016, the General Fund had an interfund receivable, in the amount of $85,192, from other governmental funds; $62,947 for services provided and $22,245 to provide cash flow resources until the receipt of grant monies. The Community Centers Grant special revenue fund had an interfund receivable, in the amount of $59,445, from other governmental funds for services provided. These amounts are expected to be repaid within one year.

Note 10 - Risk Management

The 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 2016, the Center contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan:	
General Liability	
Per Occurrence	$3,000,000
Aggregate	5,000,000
Comprehensive Auto Liability	1,000,000
Property	4,121,958
Cyber	1,000,000

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 2016, the 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 Center participates in the Wood County Schools Benefit Plan Association (Association), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Center. The Center pays monthly premiums to the Association for employee medical and dental benefits. The Association is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 11 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2017 are as follows:

General Fund	$34,208
Community Centers Grant Fund	37,879
Other Governmental Funds	188,633
Total	$260,720

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the Center's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Center's obligation for this liability to annually required payments. The Center cannot control benefit terms or the manner in which pensions are financed; however, the Center does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - Center classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Center's contractually required contribution to SERS was $618,703 for fiscal year 2016. There was no liability outstanding at the end of the fiscal year.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Center licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent.

The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was $535,823 for fiscal year 2016. Of this amount, $96,591 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.14050900%	0.05611239%	
Proportion of the Net Pension Liability Current Measurement Date	0.13520220%	0.05183839%	
Change in Proportionate Share	0.00530680%	0.00427400%	
Proportionate Share of the Net Pension Liability	$7,714,768	$14,326,615	$22,041,383
Pension Expense	$413,682	$399,459	$813,141

At June 30, 2016, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$124,222	$653,113	$777,335
Educational Service Center Contributions Subsequent to the Measurement Date	618,703	535,823	1,154,526
Total Deferred Outflows of Resources	$742,925	$1,188,936	$1,931,861
Deferred Inflows of Resources			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$255,615	$1,030,355	$1,285,970
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	235,762	1,008,064	1,243,826
Total Deferred Inflows of Resources	$491,377	$2,038,419	$2,529,796

$1,154,526 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2017	($168,151)	($484,533)	($652,684)
2018	(168,151)	(484,533)	(652,684)
2019	(168,739)	(484,533)	(653,272)
2020	137,886	68,293	206,179
Total	($367,155)	($1,385,306)	($1,752,461)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2015, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and the long-term expected real rate of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$10,697,612	$7,714,768	$5,202,969

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent

Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$19,900,749	$14,326,615	$9,612,854

Social Security

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, 2016, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The Center contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the Center's surcharge obligation was $68,967.

The Center's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was $0, $33,376, and $5,717, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System (STRS)

Health Care Plan Description - The Center participates in the cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The Center's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, $57,456 respectively. The full amount has been contributed for all three fiscal years.

Note 14 - Other Employee Benefits

A. Compensated Absences

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

Teachers, the superintendent, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-seven days for all employees.

B. Health Care Benefits

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

Note 15 - Long Term Obligations

Changes in the Center's long-term obligations during fiscal year 2016 were as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Net Pension Liability					
SERS	$7,111,081	$603,687	$0	$7,714,768	$0
STRS	13,648,475	678,140	0	14,326,615	0
Total Net Pension Liability	20,759,556	1,281,827	0	22,041,383	0
Compensated Absences	562,272	0	115,827	446,445	69,777
Total Long-Term Obligations	$21,321,828	$1,281,827	$115,827	$22,487,828	$69,777

The Center pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 12 to the basic financial statements.

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

Note 16 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the 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
Nonspendable for:				
Prepaid Items	$1,527	$0	$0	$1,527
Restricted for:				
Alternative School	0	0	137,615	137,615
Community Learning Center	0	2,655,906	16,544	2,672,450
Drug Abuse Education	0	0	11,776	11,776
Remedial Reading	0	0	27,056	27,056
Wellness Activities	0	0	67,739	67,739
Workforce Improvement	0	0	77,544	77,544
Total Restricted	0	2,655,906	338,274	2,994,180
Committed for:				
Termination Benefits	94,573	0	0	94,573
Assigned for:				

Educational Activities	4,804	0	0	4,804
Projected Budget Shortage	277,285	0	0	277,285
Unpaid Obligations	31,182	0	0	31,182
Total Assigned	313,271	0	0	313,271
Unassigned (Deficit)	2,591,736	0	(9,203)	2,582,533
Total Fund Balance	$3,001,107	$2,655,906	$329,071	$5,986,084

Note 17 - 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 Centers' elected Board of Education. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Lucas; and two representatives from the most populous county: Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

B. Northwest Ohio Computer Association

The Center is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2016, the Center paid $60,630 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

C. Northern Buckeye Education Council

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

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

E. Ohio Schools Council

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

Note 18 - Insurance Pools

A. Ohio School Plan

The Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc.

The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Wood County Schools Benefit Plan Association

The Wood County Schools Benefit Plan Association (Association) 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 Center. The Association is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the

Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Huntington Retirement Plan Services, 519 Madison Avenue, 3rd Floor, Toledo, Ohio 43604.

Note 19 - Contingencies

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2016.

B. Litigation

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

Wood County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
Educational Service Center's Proportion of the Net Pension Liability	0.13520220%	0.14050900%	0.14050900%
Educational Service Center's Proportionate Share of the Net Pension Liability	$7,714,768	$7,111,081	$8,355,619
Educational Service Center's Covered Employee Payroll	$4,070,296	$4,083,656	$3,867,641
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	189.54%	174.14%	216.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the measurement date which is the prior fiscal year end.

Wood County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2015	2014	2013
Educational Service Center's Proportion of the Net Pension Liability	0.05183839%	0.05611239%	0.05611239%
Educational Service Center's Proportionate Share of the Net Pension Liability	$14,326,615	$13,648,474	$16,257,974
Educational Service Center's Covered Employee Payroll	$5,211,693	$5,745,577	$4,527,800
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	274.89%	237.55%	359.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the measurement date which is the prior fiscal year end.

Wood County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2016	2015	2014	2013
Contractually Required Contribution	$618,703	$536,465	$534,959	$506,661
Contributions in Relation to the Contractually Required Contribution	(618,703)	(536,465)	(534,959)	(506,661)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Employee Payroll	$4,419,307	$4,070,296	$4,083,656	$3,867,641
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.18%	13.10%	13.10%

2012	2011	2010	2009	2008	2007
$507,414	$465,653	$573,140	$363,370	$307,294	$325,130
(507,414)	(465,653)	(573,140)	(363,370)	(307,294)	(325,130)
$0	$0	$0	$0	$0	$0
$3,995,386	$3,942,870	$4,484,664	$3,997,470	$3,354,738	$3,044,288
12.70%	11.81%	12.78%	9.09%	9.16%	10.68%

Wood County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2016	2015	2014	2013
Contractually Required Contribution	$535,823	$729,637	$746,925	$588,614
Contributions in Relation to the Contractually Required Contribution	(535,823)	(729,637)	(746,925)	(588,614)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Employee Payroll	$3,827,307	$5,211,693	$5,745,577	$4,527,800
Contributions as a Percentage of Covered Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
$608,969	$632,841	$728,472	$782,423	$723,096	$687,869
(608,969)	(632,841)	(728,472)	(782,423)	(723,096)	(687,869)
$0	$0	$0	$0	$0	$0
$4,684,377	$4,868,008	$5,603,631	$6,018,638	$5,562,277	$5,291,300
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Wood County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	$296,092	$350,907	$350,907	$0
Interest	40,000	50,594	50,594	0
Tuition and Fees	644,944	649,767	649,767	0
Customer Services	8,055,749	8,146,105	8,122,725	(23,380)
Gifts and Donations	3,300	3,450	3,450	0
Miscellaneous	57,119	24,605	24,605	0
Total Revenues	9,097,204	9,225,428	9,202,048	(23,380)
Expenditures:				
Current:				
Instruction:				
Regular	1,042,213	1,055,620	1,030,580	25,040
Special	2,735,892	2,803,720	2,702,961	100,759
Support Services:				
Pupils	3,749,835	3,977,110	3,841,361	135,749
Instructional Staff	235,915	237,104	225,576	11,528
Board of Education	31,984	34,648	28,002	6,646
Administration	910,132	918,560	867,938	50,622
Fiscal	532,023	510,991	501,085	9,906
Operation and Maintenance of Plant	121,504	122,702	110,244	12,458
Pupil Transportation	17,964	17,964	6,707	11,257
Central	53,977	53,981	52,861	1,120
Non-Instructional Services	24,709	24,709	19,301	5,408
Total Expenditures	9,456,148	9,757,109	9,386,616	370,493
Excess of Revenues Under Expenditures	(358,944)	(531,681)	(184,568)	347,113
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	75,716	70,436	70,436	0
Other Financing Uses	(250,000)	0	0	0
Advances In	3,885	3,885	3,885	0
Advances Out	(4,000)	(22,245)	(22,245)	0
Total Other Financing Sources (Uses)	(174,399)	52,076	52,076	0
Changes in Fund Balance	(533,343)	(479,605)	(132,492)	347,113
Fund Balance at Beginning of Year	4,028,423	4,028,423	4,028,423	0
Prior Year Encumbrances Appropriated	24,158	24,158	24,158	0
Fund Balance at End of Year	$3,519,238	$3,572,976	$3,920,089	$347,113

See Accompanying Notes to the Supplemental Section

Wood County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Community Centers Grant Fund
For the Fiscal Year Ended June 30, 2016

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	$326,953	$351,330	$351,330	$0
Customer Services	620,652	558,544	558,544	0
Gifts and Donations	81,421	81,081	81,081	0
Total Revenues	1,029,026	990,955	990,955	0
Expenditures:				
Current:				
Instruction:				
Regular	571,727	609,276	516,805	92,471
Support Services:				
Instructional Staff	31,767	43,412	27,496	15,916
Administration	5,955	6,259	5,617	642
Fiscal	26,028	26,028	26,028	0
Pupil Transportation	42,000	42,000	33,991	8,009
Central	124,090	130,329	120,494	9,835
Total Expenditures	801,567	857,304	730,431	126,873
Excess of Revenue Over Expenditures	227,459	133,651	260,524	126,873
Other Financing Sources (Uses)				
Refund of Prior Year Receipts	(500)	(1,400)	(1,207)	193
Other Financing Uses	(35,000)	(8,365)	0	8,365
Total Other Financing Sources (Uses)	(35,500)	(9,765)	(1,207)	8,558
Changes in Fund Balance	191,959	123,886	259,317	135,431
Fund Balance at Beginning of Year	2,229,786	2,229,786	2,229,786	0
Prior Year Encumbrances Appropriated	37,479	37,479	37,479	0
Fund Balance at End of Year	$2,459,224	$2,391,151	$2,526,582	$135,431

See Accompanying Notes to the Supplemental Section

NOTES TO SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1 - Budgetary Process

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

The 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 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 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 SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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	$220,948	$338,327
Increases (Decreases) Due To		
Revenue Accruals:		
Accrued FY 2015, Received in Cash FY 2016	94,761	80,886
Accrued FY 2016, Not Yet Received in Cash	(162,305)	(121,180)
Expenditure Accruals:		
Accrued FY 2015, Paid in Cash FY 2016	(1,372,459)	(30,572)
Accrued FY 2016, Not Yet Paid in Cash	1,139,267	29,735
Prepaid Items	(136)	0
Advances In	3,885	0
Advances Out	(22,245)	0
Encumbrances Outstanding at Year End (Budget Basis)	(34,208)	(37,879)
Budget Basis	($132,492)	$259,317

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR ***Pass through Grantor*** Program Title/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	2016	$39,870
Non-Cash Assistance (Food Distribution)	10.555	2016	822
Total National School Lunch Program			40,692
School Breakfast Program	10.553	2016	11,020
Summer Food Service Program for Children	10.559	2016	11,085
Total Nutrition Cluster			62,797
Total United States Department of Agriculture			62,797
UNITED STATES DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title 1 Grant to Local Educational Agencies	84.010	2015	22,459
		2016	104,125
Total Title 1 Grant to Local Educational Agencies			126,584
Special Education Cluster:			
Special Education - Grants to States	84.027	2016	25,000
Special Education - Preschool Grant	84.173	2015	3,508
		2016	19,409
Total Special Education - Preschool Grant			22,917
Total Special Education Cluster			47,917
Twenty-First Century Community Learning Centers	84.287	2015	57,135
		2016	814,016
Total Twenty-First Century Community Learning Centers			871,151
Total United States Department of Education			1,108,449
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Assistance			
Drug-Free Communities Support Program Grants	93.276	2016	103,778
Passed Through Ohio Department of Education			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2015	8,417
		2016	271,493
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance			279,910
Passed Through Wood County Department of Job and Family Services			
Temporary Assistance to Needy Families	93.558	2015	87,937
		2016	21,356
Total Temporary Assistance to Needy Families			109,293
Passed Through Wood County Department of Alcohol, Drug Addiction and Mental Health Services			
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	2015	5,428
		2016	63,790
Total Block Grant for the Prevention and Treatment of Substance Abuse			69,218
Total United States Department of Health and Human Services			562,199
Total Expenditures of Federal Awards			1,670,648

The accompanying notes are an integral part of this schedule.

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wood County Educational Service Center (the Center's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Center) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 22, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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www.ohioauditor.gov

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited Wood County Educational Service Center, Wood County, Ohio's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal program.

Management's Responsibility

The Center's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for the Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 22, 2017

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Twenty-First Century Community Learning Centers CFDA #84.287
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	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
APRIL 6, 2017

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