



Dave Yost • Auditor of State

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	14
Notes to the Basic Financial Statements	15
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	35
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – Community Centers Grant Fund.....	36
Notes to Supplemental Information.....	37
Federal Awards Receipts and Expenditures Schedule.....	39
Notes to the Federal Awards Receipts and Expenditures Schedule	40
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	43
Schedule of Findings.....	45

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2012, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

January 8, 2013

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of Wood County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Highlights for fiscal year 2012 are as follows:

Total net assets decreased by \$501,939, or 8 percent from the prior fiscal year. Much of this decrease can be attributed to an agreement that the Educational Service Center would offset the cost of services to the six local school districts by \$1.1 million in fiscal year 2012.

Using the Basic Financial Statements

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

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

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

Reporting the Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Educational Service Center's Most Significant Funds

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

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1 Net Assets		Governmental Activities	
	2012	2011	Change
<u>Assets:</u>			
Current and Other Assets	\$5,937,682	\$6,891,872	(\$954,190)
Capital Assets, Net	1,902,282	1,924,049	(21,767)
Total Assets	7,839,964	8,815,921	(975,957)
<u>Liabilities:</u>			
Current and Other Liabilities	1,596,121	1,990,399	394,278
Long-Term Liabilities	718,006	797,746	79,740
Total Liabilities	2,314,127	2,788,145	474,018
<u>Net Assets:</u>			
Invested in Capital Assets	1,902,282	1,924,049	(21,767)
Restricted	2,368,592	2,010,958	357,634
Unrestricted	1,254,963	2,092,769	(837,806)
Total Net Assets	\$5,525,837	\$6,027,776	(\$501,939)

Overall, net assets decreased 8 percent from the prior fiscal year. Note the decrease in current and other assets, which is primarily reflected in a decrease in cash and cash equivalents. The majority of this decrease was due, in part, to a legal agreement that the Educational Service Center would offset the cost of services to the six local school districts by \$1.1 million in fiscal year 2012 (also reflected in the decrease in unrestricted net assets). There was also a decrease in intergovernmental receivables because there were fewer fees owed from client school districts and agencies at fiscal year end.

The decrease in current and other liabilities was largely due to a decrease in accrued wages and benefits and simply due to the timing of pay periods for the fiscal year.

Table 2 reflects the changes in net assets for fiscal year 2012 and fiscal year 2011.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$9,191,961	\$11,199,487	(\$2,007,526)
Operating Grants and Contributions	4,553,226	4,229,942	323,284
Total Program Revenues	<u>13,745,187</u>	<u>15,429,429</u>	<u>(1,684,242)</u>
General Revenues			
Grants and Entitlements	447,702	478,471	(30,769)
Interest	34,058	55,284	(21,226)
Gifts and Donations	3,400	4,050	(650)
Miscellaneous	75,138	174,890	(99,752)
Total General Revenues	<u>560,298</u>	<u>712,695</u>	<u>(152,397)</u>
Total Revenues	<u>14,305,485</u>	<u>16,142,124</u>	<u>(1,836,639)</u>
<u>Expenses:</u>			
Instruction:			
Regular	1,441,523	1,561,668	(120,145)
Special	4,472,403	4,920,929	(448,526)
Adult/Continuing	8,337	14,187	(5,850)
Support Services:			
Pupils	3,163,104	3,031,526	131,578
Instructional Staff	3,001,532	3,270,524	(268,992)
Board of Education	41,696	30,196	11,500
Administration	1,128,469	1,865,261	(736,792)
Fiscal	705,919	740,970	(35,051)
Operation and Maintenance of Plant	222,773	117,272	105,501
Pupil Transportation	67,768	77,118	(9,350)
Central	431,180	370,579	60,601
Non-Instructional Services	27,158	20,080	7,078
Intergovernmental	95,562	149,410	(53,848)
Total Expenses	<u>14,807,424</u>	<u>16,169,720</u>	<u>(1,362,296)</u>
Decrease in Net Assets	(501,939)	(27,596)	(474,343)
Net Assets at Beginning of Year	<u>6,027,776</u>	<u>6,055,372</u>	<u>(27,596)</u>
Net Assets at End of Year	<u>\$5,525,837</u>	<u>\$6,027,776</u>	<u>(\$501,939)</u>

Program revenues were 96 percent of total revenues for fiscal year 2012 (the same as fiscal year 2011) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to six local, two exempted village, and one city school district in Northwest Ohio, as well as some services to various other area school districts and agencies, both within and outside of Wood County. Charges for services were 64 percent of total revenues for fiscal year 2012, a significant decrease from the prior fiscal year due, in large part, to the agreement that the Educational Service Center would offset the cost of services to the six local school districts by \$1.1 million in fiscal year 2012, as well as a reduction in services sold to North Baltimore, Northwood, and Otsego school districts.

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget, with 30 percent of overall expenses directly related to special instruction activities including instruction of gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, autistic, emotional disturbed, cognitive and specific learning disabled, and preschool disabled children. Special instruction costs decreased approximately 9 percent due to a decrease in services used by the

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

various school districts and a decrease in the cost of providing services by eliminating insurance benefits for all paraprofessionals, as well as other cost savings measures in fiscal year 2012.

Regular instruction costs (10 percent of total expenses) include opportunity programs, alternative programs, suspension programs, regular education substitute services, and intervention tutors. Regular instruction costs decreased approximately 8 percent from the prior fiscal year due the elimination of intervention specialist services to the North Baltimore School District, one-half less teacher employed in the JDC program, and staff reductions in the Community Learning Centers programs. There was also a decrease in the WIA Youth Employment program due to decreased grant funding.

Pupil support services were 21 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. Pupil support service costs increased approximately 4 percent due to the full implementation of the Safe Schools Healthy Students grant initiatives.

Instructional staff expenses are for the services of school improvement specialists, paraprofessionals (teacher aides), and secretaries and represented 20 percent of total expenses. These costs decreased approximately 8 percent due to the elimination of a school improvement specialist, a professional development coordinator, the entry year program, as well as a reduction of paraprofessional staff for the autism pooled aide program.

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	
	2012	2011	2012	2011
Instruction:				
Regular	\$1,441,523	\$1,561,668	(\$721,505)	(\$692,232)
Special	4,472,403	4,920,929	(3,587,453)	(5,010,715)
Adult/Continuing	8,337	14,187	8,337	14,187
Support Services:				
Pupils	3,163,104	3,031,526	138,803	476,531
Instructional Staff	3,001,532	3,270,524	2,976,532	2,983,274
Board of Education	41,696	30,196	41,696	30,196
Administration	1,128,469	1,865,261	1,090,634	1,848,406
Fiscal	705,919	740,970	496,329	576,541
Operation and Maintenance of Plant	222,773	117,272	222,773	117,272
Pupil Transportation	67,768	77,118	9,452	21,951
Central	431,180	370,579	389,348	345,459
Non-Instructional Services	27,158	20,080	(1,881)	(3,304)
Intergovernmental	95,562	149,410	(828)	32,725
Total Expenses	<u>\$14,807,424</u>	<u>\$16,169,720</u>	<u>\$1,062,237</u>	<u>\$740,291</u>

Almost 93 percent of the Educational Service Center's costs for providing services are supported by program revenues. Funding for gifted units and preschool units are provided by the State based on the degree and experience of the staff employed in those positions. These units have been and continue to be funded well below actual costs. The remaining costs are covered by general revenues.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2012, fund balance in the General Fund decreased 34 percent generally due to the agreement that the Educational Service Center would offset the cost of services provided to the local school districts by \$1.1 million.

Fund balance in the Community Centers Grant Fund increased by 22 percent. Revenues increased slightly while expenditures decreased by 9 percent as four of the five-year 21st Century grants continued to offset the expenditures in the Community Centers Grant Fund. Fiscal year 2012 was the final funding year for two of these federal programs, with the remaining two expiring at the end of fiscal year 2014. Therefore, additional funds will need to be secured from alternative sources for fiscal year 2013 for the community learning centers program to stay solvent.

Capital Assets

At June 30, 2012, the Educational Service Center had \$1,902,282 invested in capital assets (net of accumulated depreciation), a slight decrease from fiscal year 2011. The reduction is due to depreciation expense exceeding capital acquisitions. For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

Current Issues

Since fiscal year 1994, there have been no increases in funding from the State. In fiscal year 2009, a budget reduction of \$5,000,000 per executive order by the Governor was applied, reducing each educational service centers' per pupil State funding amount by approximately 9.12 percent. Additionally, as part of Substitute House Bill 153, the fiscal year 2012-2013 biennial State operating budget, State funding to educational service centers is no longer based on a per pupil amount, rather the funding is based on a percentage of the prior year's dollar amount received from the State. In fiscal year 2012, educational services centers were funded at 90 percent of the amount they received in fiscal year 2011. For Wood County Educational Service Center, this amounted to a \$35,688 permanent decrease in State funding. In fiscal year 2013, educational services centers will be funded at 85 percent of the amount they received in fiscal year 2012. For Wood County Educational Service Center, this will amount to a \$48,684 permanent decrease in State funding. In two years, the Wood County Educational Service Center will have lost \$84,372 in State funding.

Costs for services sold will continue to increase due to salary schedule years experience increases, as well as medical and dental insurance increases, which were 15 percent and 8 percent, respectively for fiscal year 2013. The percentage increases in costs of service sold will be much less than in past years since no raises were granted to staff in fiscal years 2012 or 2013, and with the permanent elimination of health insurance benefits to paraprofessional staff in fiscal year 2012.

As part of a legal agreement approved in February 2011, the Educational Service Center offset the cost of services to the six local school districts in Wood County by \$1.1 million in fiscal year 2012, thereby reducing the Educational Service Center's cash balance by this amount. As a result, investment earnings will continue to be negatively impacted by this permanent cash balance reduction, as well as the continual decrease in State funding.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gina R. Fernbaugh, Treasurer/CFO, Wood County Educational Service Center, 1867 North Research Drive, Bowling Green, Ohio 43402-9086.

Wood County Educational Service Center
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,490,249
Accounts Receivable	178,384
Accrued Interest Receivable	745
Intergovernmental Receivable	266,717
Prepaid Items	1,587
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	<u>1,789,782</u>
Total Assets	<u>7,839,964</u>
 <u>Liabilities:</u>	
Accounts Payable	20,919
Accrued Wages and Benefits Payable	1,230,621
Matured Compensated Absences Payable	30,302
Intergovernmental Payable	314,279
Long-Term Liabilities:	
Due Within One Year	77,250
Due in More Than One Year	<u>640,756</u>
Total Liabilities	<u>2,314,127</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	1,902,282
Restricted for:	
Community Center	1,933,056
Alternative School	241,771
Other Purposes	193,765
Unrestricted	<u>1,254,963</u>
Total Net Assets	<u><u>\$5,525,837</u></u>

See Accompanying Notes to Basic Financial Statements

Wood County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$1,441,523	\$1,532,145	\$630,883	\$721,505
Special	4,472,403	6,834,398	1,225,458	3,587,453
Adult/Continuing	8,337			(8,337)
Support Services:				
Pupils	3,163,104	481,574	2,542,727	(138,803)
Instructional Staff	3,001,532		25,000	(2,976,532)
Board of Education	41,696			(41,696)
Administration	1,128,469	37,835		(1,090,634)
Fiscal	705,919	209,590		(496,329)
Operation and Maintenance of Plant	222,773			(222,773)
Pupil Transportation	67,768	58,316		(9,452)
Central	431,180	33,232	8,600	(389,348)
Non-Instructional Services	27,158	4,871	24,168	1,881
Intergovernmental	95,562		96,390	828
Total Governmental Activities	<u>\$14,807,424</u>	<u>\$9,191,961</u>	<u>\$4,553,226</u>	<u>(1,062,237)</u>
<u>General Revenues:</u>				
Grants and Entitlements not Related to Specific Programs				447,702
Interest				34,058
Gifts and Donations				3,400
Miscellaneous				75,138
Total General Revenues				<u>560,298</u>
Change in Net Assets				(501,939)
Net Assets at Beginning of Year				<u>6,027,776</u>
Net Assets at End of Year				<u>\$5,525,837</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Community Centers Grant</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,319,552	\$1,756,385	\$414,312	\$5,490,249
Accounts Receivable	5,950	172,284	150	178,384
Accrued Interest Receivable	745			745
Intergovernmental Receivable	61,238	17,152	188,327	266,717
Interfund Receivable	10,095	37,902		47,997
Prepaid Items	1,587			1,587
Total Assets	<u>\$3,399,167</u>	<u>\$1,983,723</u>	<u>\$602,789</u>	<u>\$5,985,679</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$2,253	\$768	\$17,898	\$20,919
Accrued Wages and Benefits Payable	1,162,301	3,167	65,153	1,230,621
Matured Compensated Absences Payable	30,302			30,302
Intergovernmental Payable	251,142	25,651	37,486	314,279
Interfund Payable			47,997	47,997
Deferred Revenue	7,991	147,742	93,640	249,373
Total Liabilities	<u>1,453,989</u>	<u>177,328</u>	<u>262,174</u>	<u>1,893,491</u>
<u>Fund Balances:</u>				
Nonspendable	1,587			1,587
Restricted		1,806,395	387,358	2,193,753
Assigned	54,669			54,669
Unassigned (Deficit)	1,888,922		(46,743)	1,842,179
Total Fund Balances	<u>1,945,178</u>	<u>1,806,395</u>	<u>340,615</u>	<u>4,092,188</u>
Total Liabilities and Fund Balances	<u>\$3,399,167</u>	<u>\$1,983,723</u>	<u>\$602,789</u>	<u>\$5,985,679</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances		\$4,092,188
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,902,282
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	143,387	
Intergovernmental Receivable	<u>105,986</u>	
		249,373
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(718,006)</u>
Net Assets of Governmental Activities		<u><u>\$5,525,837</u></u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Community Centers Grant</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Intergovernmental	\$1,408,203	\$316,836	\$3,157,105	\$4,882,144
Interest	34,058			34,058
Tuition and Fees	576,324		112,825	689,149
Customer Services	7,666,278	689,187	510,375	8,865,840
Gifts and Donations	3,400	73,025		76,425
Miscellaneous	74,087	40	200	74,327
Total Revenues	<u>9,762,350</u>	<u>1,079,088</u>	<u>3,780,505</u>	<u>14,621,943</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	580,102	267,185	710,253	1,557,540
Special	4,426,865		89,093	4,515,958
Adult/Continuing			8,337	8,337
Support Services:				
Pupils	1,734,712		1,403,355	3,138,067
Instructional Staff	2,326,386	314,037	529,124	3,169,547
Board of Education	41,696			41,696
Administration	825,454	5,421	281,943	1,112,818
Fiscal	518,610	41,226	164,168	724,004
Operation and Maintenance of Plant	80,963		206,783	287,746
Pupil Transportation	55,748	8,993		64,741
Central	160,192	114,236	258,704	533,132
Non-Instructional Services	22,839		4,319	27,158
Intergovernmental			95,562	95,562
Total Expenditures	<u>10,773,567</u>	<u>751,098</u>	<u>3,751,641</u>	<u>15,276,306</u>
Excess of Revenues Over (Under) Expenditures	(1,011,217)	327,990	28,864	(654,363)
<u>Other Financing Sources:</u>				
Sale of Capital Assets	5,700			5,700
Changes in Fund Balances	(1,005,517)	327,990	28,864	(648,663)
Fund Balances at Beginning of Year	<u>2,950,695</u>	<u>1,478,405</u>	<u>311,751</u>	<u>4,740,851</u>
Fund Balances at End of Year	<u>\$1,945,178</u>	<u>\$1,806,395</u>	<u>\$340,615</u>	<u>\$4,092,188</u>

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2012

Changes in Fund Balances - Total Governmental Funds (\$648,663)

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

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

Capital Outlay	67,431	
Depreciation	<u>(84,406)</u>	(16,975)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(5,700)	
Gain on Disposal of Capital Assets	<u>908</u>	(4,792)

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

Intergovernmental	45,759	
Tuition and Fees	1,416	
Customer Services	41,673	
Miscellaneous	<u>(97)</u>	88,751

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. 79,740

Change in Net Assets of Governmental Activities (\$501,939)

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Note 1- Reporting Entity

The Wood County Educational Service Center (the "Educational Service Center") is located in Bowling Green, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Eastwood, Elmwood, Lake, Northwood, North Baltimore, and Otsego Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Bowling Green City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Wood County Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has four administrators, two hundred twenty-one classified employees, and one hundred seventeen certified employees who provide services to the local, exempted village, and city school districts.

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

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

The Educational Service Center participates in four jointly governed organizations and two insurance pools. These organizations are the Penta Career Center, the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, and the Wood County Insurance Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All of the Educational Service Center's funds are governmental funds.

Governmental Funds

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center did not have any trust funds in fiscal year 2012. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's agency fund accounts registration fees and expenses associated with the 21st Century Community Learning Center Quad State Conference for which the ESC acts as the fiscal agent on behalf of the Ohio Department of Education.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

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

Expenses/Expenditures

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

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

During fiscal year 2012, investments included nonnegotiable certificates of deposit, repurchase agreements, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements 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, 2012.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$34,058, which includes \$11,585 assigned from other Educational Service Center funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Capital Assets

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

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

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include federal and state grants. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2012, these funds included the Miscellaneous State Grants and Preschool special revenue funds.

N. Interfund Transactions

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

O. Estimates

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

Note 3 - Accountability

At June 30, 2012, the Miscellaneous State Grants, Parent Mentor, Preschool, 21st Century, Drinking and Drug Abuse Prevention, Reduce Alcohol Abuse and Drug Testing, and Safe and Healthy Schools special revenue funds had deficit fund balances of \$4,490, \$351, \$1,391, \$4,700, \$12,226, \$391, and \$23,194, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 4 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Educational Service Center may be deposited or invested in the following securities:

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2012, the School District had the following investments:

	Fair Value	Maturity
Repurchase Agreement	\$144,108	7/2/12
STAR Ohio	1,002	52.5 Days
Total Investments	\$145,110	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the Educational Service Center.

The securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Notes) carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standards and Poor's. The Educational Service Center has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal government agency securities and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Deposits and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The Educational Service Center has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

Note 5 - State Funding

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

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

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

Note 6 - Receivables

Receivables at June 30, 2012, consisted of accounts, accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 6 – Receivables (Continued)

	Amounts
Major Funds	
General Fund	
Tuition	\$56,411
National School Lunch Program	4,241
Miscellaneous	586
Total General Fund	61,238
Community Centers Grant Fund	
Community Centers Grant	17,152
Total Major Funds	78,390
Other Governmental Funds	
Alternative School	2,401
Miscellaneous State Grants	7,906
Private Industry Council	32,866
Preschool	7,241
21 st Century	46,592
Drinking and Drug Abuse Prevention	12,226
Reduce Alcohol Abuse and Drug Testing	8,319
Safe and Healthy Schools	70,776
Total Other Governmental Funds	188,327
Total Intergovernmental Receivables	\$266,717

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$112,500			\$112,500
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	584,275	\$67,431	(\$126,138)	525,568
Building	2,149,640			2,149,640
Total Depreciable Capital Assets	2,733,915	67,431	(126,138)	2,675,208
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(546,179)	(30,665)	121,346	(455,498)
Building	(376,187)	(53,741)		(429,928)
Total Accumulated Depreciation	(922,366)	(84,406)	121,346	(885,426)
Depreciable Capital Assets, Net	1,811,549	(16,975)	(4,792)	1,789,782
Governmental Activities Capital Assets, Net	<u>\$1,924,049</u>	<u>(\$16,975)</u>	<u>(\$4,792)</u>	<u>\$1,902,282</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$7,968
Special	10,929
Support Services:	
Pupils	17,779
Instructional Staff	7,307
Administration	22,030
Fiscal	5,537
Operation and Maintenance of Plant	516
Pupil Transportation	11,431
Central	909
Total Depreciation Expense	<u>\$84,406</u>

Note 8 - Interfund Assets/Liabilities

At June 30, 2012, the General Fund and the Community Centers Grant special revenue fund had interfund receivables, in the amount of \$10,095 and \$37,902, respectively, from other governmental funds as a result of providing cash flow resources until the receipt of grant monies.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Educational Service Center contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan:

General Liability	
Per Occurrence	\$3,000,000
Aggregate	5,000,000
Comprehensive Auto Liability	3,000,000
Property	3,752,864

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

For fiscal year 2012, the Educational Service Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 10 - Defined Benefit Pension Plans (Continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$582,306 and \$26,663 for the fiscal year ended June 30, 2012, \$632,841 and \$34,847 for the fiscal year ended June 30, 2011, and \$728,472 and \$31,926 for the fiscal year ended June 30, 2010. For fiscal year 2012, 79 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$21,983 made by the Educational Service Center and \$15,702 made by the plan members. In addition, member contributions of \$19,045 were made for fiscal year 2012 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The Educational Service Center participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 10 - Defined Benefit Pension Plans (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$507,414, \$465,653, and \$573,140, respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, one of the five Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$48,535, \$53,056, and \$60,556, respectively. For fiscal year 2012, 79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 11 - Postemployment Benefits (Continued)

B. School Employees Retirement System

Plan Description - The Educational Service Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the Educational Service Center paid \$79,908 in surcharge

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

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$21,975, \$56,383, and \$20,629, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$29,965, \$29,966, and \$34,083, respectively; 100 percent has been contributed for all three fiscal years.

Note 12 - Other Employee Benefits

A. Compensated Absences

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - Other Employee Benefits (Continued)

B. Health Care Benefits

The Educational Service Center offers medical and dental benefits to full-time employees through the Wood County Insurance Consortium (WCIC). The Educational Service Center also offers life insurance to all employees through American United Life Insurance.

Note 13 - Long Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2012 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences	<u>\$797,746</u>	<u>\$5,507</u>	<u>\$85,247</u>	<u>\$718,006</u>	<u>\$77,250</u>

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Community Centers Grant	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$1,587			\$1,587
Restricted for:				
Alternative School			\$241,468	241,468
Community Learning Center		\$1,806,395		1,806,395
Drug Abuse Education			3,700	3,700
Juvenile Detention Center			18,322	18,322
Wellness Activities			34,689	34,689
Workforce Improvement			89,179	89,179
Total Restricted		1,806,395	387,358	2,193,753
Assigned for:				
Educational Activities	4,454			4,454
Unpaid Obligations	50,215			50,215
Total Assigned	54,669			54,669
Unassigned (Deficit)	1,888,922		(46,743)	1,842,179
Total Fund Balance	\$1,945,178	\$1,806,395	\$340,615	\$4,092,188

Note 15 - Jointly Governed Organizations

A. Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of nine board members appointed from participating School Districts' or Educational Service Centers' elected Board of Education. Four board members are appointed during the even number years, one each from the Northwest Ohio Educational Service Center and the Wood County Educational Service Center, and one each from the Bowling Green City School District and the Perrysburg Exempted Village School District. Five board members are appointed during the odd number years, one each from the Lucas County Educational Service Center, the North Point Educational Service Center, and the Wood County Educational Service Center, and one each from the Maumee City School District and the Rossford Exempted Village School District. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 15 - Jointly Governed Organizations (Continued)

B. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2012, the Educational Service Center paid \$64,874 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., Box 456, Ashland, Ohio 44805.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Insurance Pools

A. Ohio School Plan

The Educational Service Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Wood County Insurance Consortium

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

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

Note 17 - Contingencies

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

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, 2012

	Original	Final	Actual	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$1,455,735	\$1,403,962	\$1,403,962	
Interest	40,000	34,900	34,905	\$5
Tuition and Fees	642,098	600,756	590,786	(9,970)
Customer Services	7,600,101	7,790,183	7,743,702	(46,481)
Gifts and Donations	2,750	3,400	3,400	
Miscellaneous	91,817	69,696	68,172	(1,524)
Total Revenues	<u>9,832,501</u>	<u>9,902,897</u>	<u>9,844,927</u>	<u>(57,970)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	604,336	600,488	588,836	11,652
Special	4,568,730	4,736,062	4,641,830	94,232
Support Services:				
Pupils	1,808,843	1,846,002	1,771,893	74,109
Instructional Staff	2,422,200	2,442,207	2,386,026	56,181
Board of Education	41,187	41,584	36,659	4,925
Administration	904,464	905,422	850,082	55,340
Fiscal	495,333	496,106	489,625	6,481
Operation and Maintenance of Plant	104,053	104,891	85,222	19,669
Pupil Transportation	57,920	57,920	57,260	660
Central	127,738	206,981	195,624	11,357
Non-Instructional Services	22,685	24,020	22,876	1,144
Total Expenditures	<u>11,157,489</u>	<u>11,461,683</u>	<u>11,125,933</u>	<u>335,750</u>
Excess of Revenues Under Expenditures	<u>(1,324,988)</u>	<u>(1,558,786)</u>	<u>(1,281,006)</u>	<u>277,780</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	66,269	44,706	44,706	
Refund of Prior Year Receipts	(35,829)	(35,829)	(35,829)	
Other Financing Uses	(200,000)	(12,218)		12,218
Advances In	77,944	77,944	77,944	
Advances Out	(77,000)	(77,000)	(1,776)	75,224
Transfers Out	(1,296)			
Total Other Financing Sources (Uses)	<u>(169,912)</u>	<u>(2,397)</u>	<u>85,045</u>	<u>87,442</u>
Changes in Fund Balance	(1,494,900)	(1,561,183)	(1,195,961)	365,222
Fund Balance at Beginning of Year	4,363,559	4,363,559	4,363,559	
Prior Year Encumbrances Appropriated	98,532	98,532	98,532	
Fund Balance at End of Year	<u>\$2,967,191</u>	<u>\$2,900,908</u>	<u>\$3,266,130</u>	<u>\$365,222</u>

See Accompanying Notes to the Supplemental Section

Wood County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Community Centers Grant Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$273,482	\$343,092	\$341,889	(\$1,203)
Customer Services	593,999	676,117	669,798	(6,319)
Gifts and Donations	73,100	73,025	73,025	
Total Revenues	<u>940,581</u>	<u>1,092,234</u>	<u>1,084,712</u>	<u>(7,522)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	347,253	339,362	281,432	57,930
Support Services:				
Pupils	12,988			
Instructional Staff	293,677	314,546	312,201	2,345
Administration	11,535	9,211	6,757	2,454
Fiscal	56,050	55,837	41,981	13,856
Pupil Transportation	33,824	24,993	24,993	
Central	114,374	125,752	114,219	11,533
Total Expenditures	<u>869,701</u>	<u>869,701</u>	<u>781,583</u>	<u>88,118</u>
Excess of Revenue Over Expenditures	<u>70,880</u>	<u>222,533</u>	<u>303,129</u>	<u>80,596</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	40	5,328	5,328	
Refund of Prior Year Receipts	(800)	(800)	(241)	559
Total Other Financing Sources (Uses)	<u>(760)</u>	<u>4,528</u>	<u>5,087</u>	<u>559</u>
Changes in Fund Balance	70,120	227,061	308,216	81,155
Fund Balance at Beginning of Year	1,374,645	1,374,645	1,374,645	
Prior Year Encumbrances Appropriated	45,850	45,850	45,850	
Fund Balance at End of Year	<u>\$1,490,615</u>	<u>\$1,647,556</u>	<u>\$1,728,711</u>	<u>\$81,155</u>

See Accompanying Notes to the Supplemental Section

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE SUPPLEMENTAL SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Note 1 - Budgetary Process

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

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

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

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

Note 2 - Budgetary Basis of Accounting

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE SUPPLEMENTAL SECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Budgetary Basis of Accounting (Continued)

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

Changes in Fund Balance

	General	Community Centers Grant
GAAP Basis	(\$1,005,517)	\$327,990
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued FY 2011, Received in Cash FY 2012	189,844	90,548
Accrued FY 2012, Not Yet Received in Cash	(68,261)	(79,596)
Expenditure Accruals:		
Accrued FY 2011, Paid in Cash FY 2012	(1,785,152)	(32,638)
Accrued FY 2012, Not Yet Paid in Cash	1,445,998	29,586
Prepaid Items	4,381	
Advances In	77,944	
Advances Out	(1,776)	
Encumbrances Outstanding at Year End (Budget Basis)	(53,422)	(27,674)
Budget Basis	(\$1,195,961)	\$308,216

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Federal Receipts	Federal Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	\$9,751	\$9,751
National School Lunch Program	10.555	30,837	30,837
Non-cash Assistance (Commodities)	10.555	1,057	1,057
Total National School Lunch Program		<u>31,894</u>	<u>31,894</u>
Summer Food Service Program for Children	10.559	8,734	8,734
Total U.S. Department of Agriculture		<u>50,379</u>	<u>50,379</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Assistance</i>			
<i>Safe and Drug Free Schools and Communities - National Program</i>			
Alcohol Abuse Reduction Grant	84.184A	90,717	90,717
Safe and Drug Free Schools and Communities - National Program Grant for School-Based Student Drug Testing	84.184D	133,092	133,092
Safe Schools Healthy Students	84.184L	1,347,392	1,347,392
Total Safe and Drug Free Schools		<u>1,571,201</u>	<u>1,571,201</u>
<i>Passed Through Ohio Department of Education</i>			
<i>Special Education Cluster</i>			
Special Education Grants to State	84.027	29,850	29,850
Special Education Preschool Grants	84.173	45,795	42,883
Special Education Preschool Grants - ARRA	84.392	1,401	
Total Special Education Cluster		<u>77,046</u>	<u>72,733</u>
Twenty-First Century Community Learning Centers	84.287	678,506	616,822
<i>Title I Cluster</i>			
Title I Grant to Local Educational Agencies	84.010	173,055	166,871
Title I Grant to Local Educational Agencies - ARRA	84.389	3,986	
Total Title I Cluster		<u>177,041</u>	<u>166,871</u>
Total U.S. Department of Education		<u>2,503,794</u>	<u>2,427,627</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Wood County Department of Alcohol, Drug Addiction and Mental Health Services</i>			
Block Grant for the Prevention and Treatment of Substance Abuse	93.959	93,217	93,217
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	67,510	67,510
Total U.S. Department of Health and Human Services		<u>160,727</u>	<u>160,727</u>
Total Federal Awards Receipts and Expenditures		<u>\$2,714,900</u>	<u>\$2,638,733</u>

The accompanying notes are an integral part of this schedule.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2012, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

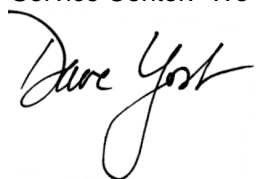
As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination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

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www.ohioauditor.gov

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

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

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

Dave Yost
Auditor of State

January 8, 2013



Dave Yost • Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of Wood County Educational Service Center, Wood County, Ohio (the Educational Service Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Wood County Educational Service Center's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Educational Service Center's major federal program. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Educational Service Center's compliance based on our audit.

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

In our opinion, the Wood County Educational Service Center, Wood County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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



Dave Yost
Auditor of State

January 8, 2013

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.184L Safe Schools Healthy Students
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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WOOD COUNTY EDUCATIONAL SERVICE CENTER

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 22, 2013