



**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
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.....	32
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – Community Centers Grant Fund.....	33
Notes to Supplemental Information.....	34
Schedule of Federal Awards Receipts and Expenditures.....	36
Notes to the Schedule of Federal Awards Receipts and Expenditures	37
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
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.....	41
Schedule of Findings and Questioned Costs.....	43
Corrective Action Plan.....	45

This page is intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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 the Wood County Educational Service Center, (the Educational Service Center), as of and for the year ended June 30, 2009, 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, as of June 30, 2009, 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 December 16, 2009, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Educational Service Center's basic financial statements. The budgetary comparison for the General Fund and Community Centers Grant Fund provides additional information and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is 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. We subjected the budgetary comparison for the General Fund and Community Centers Grant Fund and the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 16, 2009

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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, 2009. 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 2009 are as follows:

Total net assets increased by \$58,387, or just over 1 percent from the prior fiscal year. This was not a significant change.

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 2009. 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.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the Educational Service Center's Most Significant Funds

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

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

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2009 compared to fiscal year 2008:

Table 1 Net Assets		Governmental Activities	
	2009	2008	Change
<u>Assets:</u>			
Current and Other Assets	\$6,428,597	\$6,073,843	\$354,754
Capital Assets, Net	2,063,430	2,129,231	(65,801)
Total Assets	8,492,027	8,203,074	288,953
<u>Liabilities:</u>			
Current and Other Liabilities	1,946,724	1,854,581	(92,143)
Long-Term Liabilities	768,209	629,786	(138,423)
Total Liabilities	2,714,933	2,484,367	(230,566)
<u>Net Assets:</u>			
Invested in Capital Assets	2,063,430	2,129,231	(65,801)
Restricted	1,271,167	1,086,987	184,180
Unrestricted	2,442,497	2,502,489	(59,992)
Total Net Assets	\$5,777,094	\$5,718,707	\$58,387

Overall, net assets increased just over 1 percent from the prior fiscal year, which was not a significant change. The only change of note was the increase in current and other liabilities. This was due to wage and benefit increases resulting from an increase in staffing levels.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2009 and fiscal year 2008.

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$12,666,819	\$11,596,941	\$1,069,878
Operating Grants and Contributions	3,037,578	2,724,907	312,671
Total Program Revenues	<u>15,704,397</u>	<u>14,321,848</u>	<u>1,382,549</u>
General Revenues			
Grants and Entitlements	372,871	371,104	1,767
Interest	140,895	247,756	(106,861)
Gifts and Donations	3,120	0	3,120
Miscellaneous	118,807	87,246	31,561
Total General Revenues	<u>635,693</u>	<u>706,106</u>	<u>(70,413)</u>
Total Revenues	<u>16,340,090</u>	<u>15,027,954</u>	<u>1,312,136</u>
<u>Expenses:</u>			
Instruction:			
Regular	1,134,159	1,343,200	(209,041)
Special	5,798,124	5,590,684	207,440
Vocational	62,475	207	62,268
Adult/Continuing	24,309	29,645	(5,336)
Support Services:			
Pupils	2,855,915	2,376,338	479,577
Instructional Staff	3,443,253	3,007,317	435,936
Board of Education	51,014	45,476	5,538
Administration	1,752,995	1,513,126	239,869
Fiscal	636,375	566,080	70,295
Operation and Maintenance of Plant	116,483	108,526	7,957
Pupil Transportation	56,178	55,328	850
Central	197,942	138,432	59,510
Non-Instructional Services	25,518	19,490	6,028
Intergovernmental	126,963	158,581	(31,618)
Total Expenses	<u>16,281,703</u>	<u>14,952,430</u>	<u>1,329,273</u>
Increase in Net Assets	58,387	75,524	(17,137)
Net Assets at Beginning of Year	<u>5,718,707</u>	<u>5,643,183</u>	<u>75,524</u>
Net Assets at End of Year	<u>\$5,777,094</u>	<u>\$5,718,707</u>	<u>\$58,387</u>

Program revenues were 96 percent of total revenues for fiscal year 2009 (very similar to fiscal year 2008) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 78 percent of total revenues. 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. Total revenues increased in fiscal year 2009, primarily from an increase in charges for services.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget, with 36 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.

Regular instruction costs (7 percent of total expenses) include opportunity programs, alternative programs, suspension programs, reading recovery services, regular education substitute services, and intervention tutors. Regular instruction costs decreased approximately 16 percent from the prior fiscal year due to activities related to a H.B. 115 grant.

Vocational instruction costs increased due to the employment of an instructor in fiscal year 2009. In prior fiscal years, no vocational instructors were employed.

Pupil support services were 18 percent of total expenses. These expenses include the costs of a nurse, school psychologists, audiologist, speech therapists, adapted physical education instructors, occupational therapists, and physical therapists supervisors. Pupil support services increased approximately 20 percent from the prior fiscal year due to five new positions and activity related to the new Alcohol Abuse Reduction grant.

Expenses for the services of school improvement specialists, paraprofessionals (teacher aides), secretaries, and child information management specialists represented 21 percent of overall expenses and are reflected as instructional staff support services. Instructional staff services increased 14 percent due to staffing level increases of paraprofessionals (teacher aides).

Intergovernmental expenses include the Psych Intern, Reading A-Z, and Preschool grants. These are flow-through grant resources received and spent by the Educational Service Center on behalf of the school districts.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$1,134,159	\$1,343,200	(\$912,651)	(\$609,961)
Special	5,798,124	5,590,684	(5,522,506)	(5,025,752)
Vocational	62,475	207	62,475	207
Adult/Continuing	24,309	29,645	24,309	29,645
				(continued)

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Support Services:				
Pupils	\$2,855,915	\$2,376,338	\$1,381,333	\$1,495,217
Instructional Staff	3,443,253	3,007,317	3,013,515	2,550,711
Board of Education	51,014	45,476	51,014	45,476
Administration	1,752,995	1,513,126	1,721,815	1,446,378
Fiscal	636,375	566,080	497,991	450,836
Operation and Maintenance of Plant	116,483	108,526	98,043	108,526
Pupil Transportation	56,178	55,328	3,275	3,549
Central	197,942	138,432	166,256	124,098
Non-Instructional Services	25,518	19,490	(10,122)	(10,431)
Intergovernmental	126,963	158,581	2,559	22,083
Total Expenses	<u>\$16,281,703</u>	<u>\$14,952,430</u>	<u>\$577,306</u>	<u>\$630,582</u>

Over 96 percent of the Educational Service Center's costs for providing services are supported by program revenues. Funding for gifted units and preschool units are provided by the State based on the degree and experience of the staff employed in those positions. These units have been and continue to be funded well below actual costs. The remaining costs are covered by general revenues.

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

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2009, revenues exceeded expenditures for both the General Fund and the Community Centers Grant Fund by \$189,930 and \$140,612, respectively. While revenues increased in both funds, expenditures had a higher rate of increase during the year. Expenditures in the Community Centers Grant Fund have been offset by funds received from two five-year 21st Century Grants. Fiscal year 2012 will be the final funding year for this federal program; therefore, additional funds will need to be secured from alternative sources after fiscal year 2012 for the community learning centers program to stay solvent.

Wood County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Capital Assets

At June 30, 2009, the Educational Service Center had \$2,063,430 invested in capital assets (net of accumulated depreciation), a decrease of \$65,801. The reduction is due to depreciation expense exceeding capital acquisitions. For further information regarding the Educational Service Center's capital assets, refer to Note 8 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.

Costs for services will continue to increase due to salary schedule increases and years of experience increases. Insurance costs will continue their trend of increasing costs. Since the Educational Service Center charges school districts for services based on costs, charges for services will increase in fiscal year 2010.

On June 26, 2009, the Educational Service Center was notified that it has been selected to receive a federal Safe Schools Health Students grant, in the amount of \$1,364,627, annually beginning in fiscal year 2010 through fiscal year 2013. The purpose of this grant will be to provide students, schools, and communities the benefit of enhanced comprehensive educational mental health social services, law enforcement, and, as appropriate, juvenile justice system services that can promote healthy child development and prevent violence and alcohol and other drug abuse.

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 43402-8835.

Wood County Educational Service Center
Statement of Net Assets
June 30, 2009

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,172,943
Accounts Receivable	68,403
Accrued Interest Receivable	4,433
Intergovernmental Receivable	169,783
Prepaid Items	13,035
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	1,950,930
Total Assets	8,492,027
 <u>Liabilities:</u>	
Accounts Payable	14,578
Accrued Wages and Benefits Payable	1,554,032
Intergovernmental Payable	378,114
Long-Term Liabilities:	
Due Within One Year	82,574
Due in More Than One Year	685,635
Total Liabilities	2,714,933
 <u>Net Assets:</u>	
Invested in Capital Assets	2,063,430
Restricted for:	
Community Centers Grant	899,924
Alternative School	306,281
Other Purposes	64,962
Unrestricted	2,442,497
Total Net Assets	\$5,777,094

See Accompanying Notes to Basic Financial Statements

**Wood County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2009**

	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	\$1,134,159	\$1,620,917	\$425,893	\$912,651
Special	5,798,124	10,087,516	1,233,114	5,522,506
Vocational	62,475			(62,475)
Adult/Continuing	24,309			(24,309)
Support Services:				
Pupils	2,855,915	365,162	1,109,420	(1,381,333)
Instructional Staff	3,443,253	322,846	106,892	(3,013,515)
Board of Education	51,014			(51,014)
Administration	1,752,995	31,180		(1,721,815)
Fiscal	636,375	138,384		(497,991)
Operation and Maintenance of Plant	116,483	18,440		(98,043)
Pupil Transportation	56,178	52,903		(3,275)
Central	197,942	24,146	7,540	(166,256)
Non-Instructional Services	25,518	5,325	30,315	10,122
Intergovernmental	126,963		124,404	(2,559)
Total Governmental Activities	<u>\$16,281,703</u>	<u>\$12,666,819</u>	<u>\$3,037,578</u>	<u>(577,306)</u>
<u>General Revenues:</u>				
Grants and Entitlements not Related to Specific Programs				372,871
Interest				140,895
Gifts and Donations				3,120
Miscellaneous				118,807
Total General Revenues				<u>635,693</u>
Change in Net Assets				58,387
Net Assets at Beginning of Year				<u>5,718,707</u>
Net Assets at End of Year				<u>\$5,777,094</u>

See Accompanying Notes to the Basic Financial Statements

**Wood County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2009**

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,910,016	\$855,405	\$407,522	\$6,172,943
Accounts Receivable	2,513	65,308	582	68,403
Accrued Interest Receivable	4,433			4,433
Intergovernmental Receivable	76,950	2,827	90,006	169,783
Interfund Receivable	7,000			7,000
Prepaid Items	12,980	55		13,035
Total Assets	\$5,013,892	\$923,595	\$498,110	\$6,435,597
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$8,913	\$1,235	\$4,430	\$14,578
Accrued Wages and Benefits Payable	1,478,429	2,832	72,771	1,554,032
Intergovernmental Payable	346,923	6,245	24,946	378,114
Interfund Payable			7,000	7,000
Deferred Revenue	40,951	59,219		100,170
Total Liabilities	1,875,216	69,531	109,147	2,053,894
<u>Fund Balances:</u>				
Reserved for Encumbrances	20,040	27,701	116,248	163,989
Unreserved, Reported in:				
General Fund	3,118,636			3,118,636
Special Revenue Funds		826,363	272,715	1,099,078
Total Fund Balances	3,138,676	854,064	388,963	4,381,703
Total Liabilities and Fund Balances	\$5,013,892	\$923,595	\$498,110	\$6,435,597

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, 2009**

Total Governmental Fund Balances		\$4,381,703
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,063,430
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	99,631	
Accrued Interest Receivable	62	
Intergovernmental Receivable	477	
		100,170
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(768,209)
Net Assets of Governmental Activities		\$5,777,094

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, 2009**

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$1,641,998	\$174,541	\$1,731,129	\$3,547,668
Interest	141,259			141,259
Tuition and Fees	640,182		79,461	719,643
Customer Services	11,034,536	281,601	823,269	12,139,406
Gifts and Donations	3,120	69,452		72,572
Miscellaneous	114,346		1,218	115,564
Total Revenues	<u>13,575,441</u>	<u>525,594</u>	<u>2,635,077</u>	<u>16,736,112</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	363,134	78,307	657,979	1,099,420
Special	5,649,396		87,998	5,737,394
Vocational	62,475			62,475
Adult/Continuing			24,309	24,309
Support Services:				
Pupils	2,045,625	4,446	888,671	2,938,742
Instructional Staff	3,013,973	215,714	277,635	3,507,322
Board of Education	51,014			51,014
Administration	1,358,543	66,103	289,291	1,713,937
Fiscal	498,282	16,831	111,772	626,885
Operation and Maintenance of Plant	87,679		29,718	117,397
Pupil Transportation	52,536	3,581		56,117
Central	179,752		21,184	200,936
Non-Instructional Services	23,102		1,514	24,616
Intergovernmental			126,039	126,039
Total Expenditures	<u>13,385,511</u>	<u>384,982</u>	<u>2,516,110</u>	<u>16,286,603</u>
Changes in Fund Balances	189,930	140,612	118,967	449,509
Fund Balances at Beginning of Year	<u>2,948,746</u>	<u>713,452</u>	<u>269,996</u>	<u>3,932,194</u>
Fund Balances at End of Year	<u>\$3,138,676</u>	<u>\$854,064</u>	<u>\$388,963</u>	<u>\$4,381,703</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, 2009

Changes in Fund Balances - Total Governmental Funds \$449,509

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

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

Capital Outlay	18,066	
Depreciation	(81,867)	
	(63,801)	(63,801)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (2,000)

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

Intergovernmental	(102,165)	
Interest	(364)	
Tuition and Fees	11,705	
Customer Services	(99,317)	
Miscellaneous	3,243	
	(186,898)	(186,898)

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. (138,423)

Change in Net Assets of Governmental Activities \$58,387

See Accompanying Notes to the Basic Financial Statements

Note 1- Reporting Entity

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

The Wood County Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has six administrators, two hundred forty-seven classified employees, and one hundred eighty-seven 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.

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 or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most 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.

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 monies used 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 through funds provided by the Wood County Department of Human Services.

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 2009, investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2009 was \$141,259, which includes \$29,417 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.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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	5-10 years
Building	40 years

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

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

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

L. Fund Balance Reserves

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

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 2009, these funds included the Psych Intern, Reading A-Z, and Preschool special revenue funds.

N. Interfund Transactions

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

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

O. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

Note 4 - Accountability

At June 30, 2009, the RVAS, SchoolNet, Reading Recovery, Preschool, 21st Century, and Reduce Alcohol Abuse and Drug Testing special revenue funds had deficit fund balances of \$69, \$55, \$368, \$453, \$5,160, and \$575, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

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

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

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

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

Note 5 - Deposits and Investments (continued)

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$434,300 of the Educational Service Center's bank balance of \$6,300,581 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

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

Note 5 - Deposits and Investments (continued)

Investments

As of June 30, 2009, the fair value of funds on deposit with STAR Ohio was \$59,505. The Educational Service Center's investment in STAR Ohio had an average maturity of 58 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The Educational Service Center has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 - State Funding

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

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

Wood County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Receivables

Receivables at June 30, 2009, consisted of accounts, accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Fund	
General Fund	
Tuition	\$62,056
Miscellaneous	14,894
Total General Fund	76,950
Community Centers Grant Fund	
Grant	2,827
Total Major Funds	79,777
Other Governmental Funds	
Private Industry Council	50,117
RVAS	7,000
Parent Mentor	2,686
Preschool	7,762
Miscellaneous State Grants	11,648
Reduce Alcohol Abuse and Drug Testing	10,793
Total Other Governmental Funds	90,006
Total Intergovernmental Receivables	\$169,783

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$112,500			\$112,500
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	850,535	\$18,066	(\$54,224)	814,377
Building	2,149,640			2,149,640
Total Depreciable Capital Assets	3,000,175	18,066	(54,224)	2,964,017

(continued)

Wood County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 8 - Capital Assets (continued)

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(768,480)	(28,126)	52,224	(744,382)
Building	(214,964)	(53,741)		(268,705)
Total Accumulated Depreciation	(983,444)	(81,867)	52,224	(1,013,087)
Depreciable Capital Assets, Net	2,016,731	(63,801)	(2,000)	1,950,930
Governmental Activities Capital Assets, Net	<u>\$2,129,231</u>	<u>(\$63,801)</u>	<u>(\$2,000)</u>	<u>\$2,063,430</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$11,339
Special		13,429
Support Services:		
Pupils		17,981
Instructional Staff		7,697
Administration		24,163
Fiscal		5,897
Central		1,361
Total Depreciation Expense		<u>\$81,867</u>

Note 9 - Interfund Assets/Liabilities

At June 30, 2009, the General Fund had an interfund receivable, in the amount of \$7,000, from other governmental funds as a result of providing cash flow resources until the receipt of grant monies.

Note 10 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, 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

Coverage provided by Cincinnati Insurance:

Commercial Property	679,588
Building	2,776,609

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.

Note 10 - Risk Management (continued)

For fiscal year 2009, 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 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Note 11 - Defined Benefit Pension Plans (continued)

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$782,423, 723,096, and \$687,869 respectively; 78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were \$16,656 made by the School District and \$46,170 made by the plan members.

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$363,370, 307,294, and \$304,428 respectively; 100 percent has been contributed for all three fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2009, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

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

Note 12 - Postemployment Benefits (continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$61,468, \$57,384, and \$54,658 respectively; 78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 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 2009, the surcharge amount was \$60,342.

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 School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$166,295 \$140,228, and \$101,070 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 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$29,981, \$22,141, and \$20,701 respectively; 100 percent has been contributed for all three fiscal years.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 14 - Long Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$629,786	\$151,699	\$13,276	\$768,209	\$82,574

Compensated absences will be paid from the General Fund and the Community Centers Grant; Alcohol, Tobacco, and Other Drug Prevention; Private Industry Council; Parent Mentor; Preschool; 21st Century; and Reduce Alcohol Abuse and Drug Testing special revenue funds.

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.

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 2009, the Educational Service Center paid \$32,414 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, 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.

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

Note 16 - Insurance Pools (continued)

sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Wood County Insurance Consortium

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

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

Note 17 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2009.

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, 2009

	Original	Final	Actual	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$1,637,932	\$1,641,998	\$1,641,998	
Interest	200,000	143,306	143,359	\$53
Tuition and Fees	633,902	652,112	631,922	(20,190)
Customer Services	10,751,688	11,158,233	11,116,819	(41,414)
Gifts and Donations	600	3,120	3,120	
Miscellaneous	40,642	78,099	69,757	(8,342)
Total Revenues	<u>13,264,764</u>	<u>13,676,868</u>	<u>13,606,975</u>	<u>(69,893)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	348,316	371,894	360,048	11,846
Special	5,766,466	5,795,272	5,611,866	183,406
Vocational	50,933	51,899	51,491	408
Support Services:				
Pupils	2,047,809	2,082,730	2,027,519	55,211
Instructional Staff	2,925,291	3,104,760	2,977,367	127,393
Board of Education	50,334	56,812	51,903	4,909
Administration	1,317,445	1,409,726	1,389,834	19,892
Fiscal	498,012	502,559	499,754	2,805
Operation and Maintenance of Plant	104,237	106,837	98,913	7,924
Pupil Transportation	53,611	53,614	53,405	209
Central	170,284	188,245	177,205	11,040
Non-Instructional Services	21,061	25,351	23,107	2,244
Total Expenditures	<u>13,353,799</u>	<u>13,749,699</u>	<u>13,322,412</u>	<u>427,287</u>
Excess of Revenues Over (Under) Expenditures	<u>(89,035)</u>	<u>(72,831)</u>	<u>284,563</u>	<u>357,394</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	44,281	30,835	30,835	
Other Financing Uses	(100,000)	(5,344)		5,344
Advances In	95,335	92,245	92,245	
Advances Out	(125,000)	(125,000)	(7,000)	118,000
Total Other Financing Sources (Uses)	<u>(85,384)</u>	<u>(7,264)</u>	<u>116,080</u>	<u>123,344</u>
Changes in Fund Balance	(174,419)	(80,095)	400,643	480,738
Fund Balance at Beginning of Year	4,441,821	4,441,821	4,441,821	
Prior Year Encumbrances Appropriated	38,676	38,676	38,676	
Fund Balance at End of Year	<u>\$4,306,078</u>	<u>\$4,400,402</u>	<u>\$4,881,140</u>	<u>\$480,738</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, 2009

	Original	Final	Actual	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$178,790	\$172,161	\$172,191	\$30
Customer Services	234,328	282,118	282,447	329
Gifts and Donations	69,377	69,452	69,452	
Total Revenues	<u>482,495</u>	<u>523,731</u>	<u>524,090</u>	<u>359</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	118,226	130,227	92,434	37,793
Support Services:				
Pupils	6,400	6,865	4,770	2,095
Instructional Staff	177,110	222,290	215,412	6,878
Administration	63,777	68,052	67,839	213
Fiscal	15,490	17,903	16,289	1,614
Pupil Transportation	15,500	15,500	15,420	80
Total Expenditures	<u>396,503</u>	<u>460,837</u>	<u>412,164</u>	<u>48,673</u>
Excess of Revenue Over Expenditures	85,992	62,894	111,926	49,032
<u>Other Financing Uses</u>				
Refund of Prior Year Receipts		(60)	(60)	
Changes in Fund Balance	85,992	62,834	111,866	49,032
Fund Balance at Beginning of Year	703,941	703,941	703,941	
Prior Year Encumbrances Appropriated	11,372	11,372	11,372	
Fund Balance at End of Year	<u>\$801,305</u>	<u>\$778,147</u>	<u>\$827,179</u>	<u>\$49,032</u>

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

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

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

The Educational Service Center's Board adopts an annual appropriations resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund 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 a reservation of fund balance (GAAP basis).

Wood County Educational Service Center
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2009

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	\$189,930	\$140,612
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued FY 2008, Received in Cash FY 2009	104,082	7,412
Accrued FY 2009, Not Yet Received in Cash	(42,945)	(8,916)
Expenditure Accruals:		
Accrued FY 2008, Paid in Cash FY 2009	(1,734,927)	(9,273)
Accrued FY 2009, Not Yet Paid in Cash	1,834,265	10,312
Cash Adjustments:		
Unrecorded Activity FY 2008	1,543	
Cash Adjustments:		
Unrecorded Activity FY 2009	(311)	
Prepaid Items	(7,674)	(55)
Advances In	92,245	
Advances Out	(7,000)	
Encumbrances Outstanding at Year End (Budget Basis)	(28,565)	(28,226)
Budget Basis	\$400,643	\$111,866

**WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

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	\$ 11,755	\$ 11,755
National School Lunch Program	10.555	29,427	29,427
Summer Food Service Program for Children	10.559	3,353	3,353
Total Child Nutrition Cluster		44,535	44,535
Child and Adult Care Food Program	10.558	7,982	7,982
Total U.S. Department of Agriculture		52,517	52,517
UNITED STATES DEPARTMENT OF EDUCATION			
Safe and Drug-Free Schools and Communities - National Program: Alcohol Abuse Reduction Grant	84.184A	323,539	323,539
Safe and Drug-Free Schools and Communities - National Program: Grant for School-Based Student Drug Testing	84.184D	69,470	69,470
<i>Passed Through the Ohio Department of Education</i>			
<i>Special Education Cluster:</i>			
Special Education Grants to States	84.027	25,574	24,894
Special Education Preschool Grants	84.173	70,360	68,600
Total Special Education Cluster		95,934	93,494
Twenty-First Century Community Learning Centers	84.287	349,604	355,679
Title 1 Grants to Local Educational Agencies	84.010	86,345	86,345
School Improvement Grant	84.377	3,000	3,000
<i>Passed Through the OSU Research Foundation</i>			
Funds for the Improvement of Education	84.215	3,090	
Total U.S. Department of Education		930,982	931,527
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Wood County Department of Alcohol, Drug Addiction, and Mental Health Services</i>			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	102,880	102,880
<i>Passed through the Ohio Department of Developmental Disabilities</i>			
Medicaid Reimbursements	93.778	101,043	
Total United States Department of Health and Human Services		203,923	102,880
TOTAL - FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$ 1,187,422	\$1,086,924

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Educational Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Educational Service Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Educational Service Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D – MEDICAID REIMBURSEMENTS

The amounts shown on the Schedule for Medicaid reimbursement relate to settlements for Community Alternative Funding for services that were provided in prior years.

This page intentionally left blank.



Mary Taylor, CPA

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
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wood County Educational Service Center, (the Educational Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated December 16, 2009. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Educational Service Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 16, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of the Wood County Educational Service Center (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 apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 express an opinion on the Educational Service Center's compliance based on our audit.

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

As described in finding 2009-001 in the accompanying schedule of findings and questioned costs, the Educational Service Center did not comply with requirements regarding allowable costs applying to its Alcohol Abuse Reduction Grant. Compliance with this requirement is necessary, in our opinion, for the Educational Service Center to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Wood County Educational Service Center complied, in all material respects, with the requirements referred to above applying to its major federal program for the year ended June 30, 2009.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Educational Service Center's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Educational Service Center's ability to administer a federal program such that there is more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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.

The Educational Service Center's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the Educational Service Center's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

December 16, 2009

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Allowable Cost – Non-Compliance and Questioned Cost

Finding Number	2009-001
CFDA Title and Number	Alcohol Abuse Reduction Grant 84.184A

Federal Award Number / Year	Q184A080127, FY 2009
Federal Agency	United States Department of Education
Pass-Through Agency	None

Questioned Cost

2 CFR 225 (A-87), Appendix A, subpart C Basic Guidelines states, in pertinent parts,

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be allocable to Federal awards under the provisions of this Circular.
 - d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
 - f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

The charging of the cost should be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

The Wood County Educational Service Center (ESC) charged the Alcohol Abuse Reduction Grant an indirect cost per an approved United States Department of Education indirect restricted cost rate. In addition to the charge of this indirect cost, the ESC also charged the Alcohol Abuse Reduction Grant \$11,279 for building rent. This rental charge was based on assessing a calculated square footage rate to square footage utilized by the employee working on this grant. The rate was calculated using maintenance, utility and insurance costs that the ESC incurred, plus a rental fee on the footage. As stated above, these same types of expenditures were already allocated to this program through the use of an approved indirect cost rate. In addition, the ESC did not charge any of the other Federal or State programs building rent for the space the grant personnel utilized.

As a result, the same types of expenditures are being charged as direct and indirect cost. Additionally, the ESC did not charge this type of expense to other programs. For these reasons, we are questioning the \$11,279. We recommend Wood County Educational Service Center remit from their General Fund to the Alcohol Abuse Reduction Grant Fund the amount of \$11,279.

Official's Response:

The FY 2009 Alcohol Abuse Reduction Grant application was reviewed and approved by the U.S. Department of Education on May 21, 2008. As part of the application process, "Section A – Budget Summary" was prepared. An additional exhibit, "Recap of Total Grant Expenditures" was also submitted to provide further clarification and detail of the numbers presented in the Budget Summary.

A budget category of "Building Rental" was listed on the Recap of Total Grant Expenditures exhibit. Since the application was reviewed and approved, I charged this federal grant for building rental. This charge was associated with the square footage of office space occupied by the staff employed by this grant. Had the budget not been approved, or had this individual budget line item been disallowed, I would not have processed this transaction.

It was during our FY 2009 audit that I was informed by the audit manager that this was an unallowable grant expenditure since it was not an "arm's length" transaction.

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-001	Will process a correcting entry to refund the grant fund from the general fund, where the money was receipted in fiscal year 2009. Will submit a revised carry-over budget to the federal grant program coordinator detailing where those funds will be spent during fiscal year 2010.	Corrective Action Plan Completed	Lorrie Lewandoski, Project Director



Mary Taylor, CPA
Auditor of State

WOOD COUNTY EDUCATIONAL SERVICE CENTER

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 5, 2010