



Dave Yost • Auditor of State



**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER  
PAULDING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Western Buckeye Education Service Center  
Paulding County  
202 North Cherry Street, P. O. Box 176  
Paulding, Ohio 45879-0176

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 Western Buckeye Education Service Center, Paulding County, Ohio (the Education Service Center), as of and for the year ended June 30, 2012, which collectively comprise the Education Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Education Service Center's management. Our responsibility is to express an opinion 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 Western Buckeye Education Service Center, Paulding County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013, on our consideration of the Education Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Dave Yost**  
Auditor of State

January 24, 2013

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

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

### **Highlights**

Highlights for fiscal year 2012 are as follows:

Total net assets decreased \$31,012 from the prior fiscal year (11 percent). There was a decrease for both revenues and expenses from the prior fiscal year.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Western Buckeye 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 nonmajor funds presented in total in a single column. For Western Buckeye Educational Service Center, the General Fund and the Title IV-B (Individual Disabilities Education Act Grant (IDEA-B)) special revenue fund are the most significant funds.

### **Reporting the Educational Service Center as a Whole**

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

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

### **Reporting the Educational Service Center's Most Significant Funds**

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) special revenue fund.

Western Buckeye Educational Service Center  
Management's Discussion and Analysis  
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Unaudited

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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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Educational Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Educational Service Center's programs. These funds use the accrual basis of accounting.

**The Educational Service Center as a Whole**

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

Table 1 Net Assets			
Governmental Activities			
	2012	2011	Change
<u>Assets:</u>			
Current and Other Assets	\$882,751	\$789,133	\$93,618
Capital Assets, Net	55,040	185,680	(130,640)
Total Assets	937,791	974,813	(37,022)
<u>Liabilities:</u>			
Current and Other Liabilities	\$492,410	\$513,875	\$21,465
Long-Term Liabilities	197,464	182,009	(15,455)
Total Liabilities	689,874	695,884	6,010
<u>Net Assets:</u>			
Invested in Capital Assets	55,040	185,680	(130,640)
Restricted		3,134	(3,134)
Unrestricted	192,877	90,115	102,762
Total Net Assets	\$247,917	\$278,929	(\$31,012)

A review of the above table reveals few changes of note. The increase in current and other assets is due to an increase in cash and cash equivalents primarily from additional State foundation resources. This increase is also reflected in the increase in unrestricted net assets. The decrease in net capital assets and invested in capital assets is due to the disposal of assets, a building and some equipment.

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

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Management's Discussion and Analysis  
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Table 2  
Change in Net Assets

	Governmental Activities		Change
	2012	2011	
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$2,995,453	\$3,145,138	(\$149,685)
Operating Grants and Contributions	1,288,590	1,821,271	(532,681)
Total Program Revenues	<u>4,284,043</u>	<u>4,966,409</u>	<u>(682,366)</u>
General Revenues			
Grants and Entitlements	225,872	108,257	117,615
Interest	1,289	3,433	(2,144)
Miscellaneous	367	18,507	(18,140)
Total General Revenues	<u>227,528</u>	<u>130,197</u>	<u>97,331</u>
Total Revenues	<u>4,511,571</u>	<u>5,096,606</u>	<u>(585,035)</u>
<u>Expenses:</u>			
Instruction:			
Regular	\$148,115	\$442,860	\$294,745
Special	1,300,642	1,315,071	14,429
Support Services:			
Pupils	983,366	1,154,500	171,134
Instructional Staff	1,051,088	1,198,226	147,138
Board of Education	52,778	51,413	(1,365)
Administration	422,412	483,968	61,556
Fiscal	109,776	102,636	(7,140)
Operation and Maintenance of Plant	18,447	28,601	10,154
Central	35,434	41,470	6,036
Non-Instructional Services		445	445
Intergovernmental	420,525	413,405	(7,120)
Total Expenses	<u>4,542,583</u>	<u>5,232,595</u>	<u>690,012</u>
Decrease in Net Assets	<u>(31,012)</u>	<u>(135,989)</u>	<u>104,977</u>
Net Assets at Beginning of Year	<u>278,929</u>	<u>414,918</u>	<u>(135,989)</u>
Net Assets at End of Year	<u>\$247,917</u>	<u>\$278,929</u>	<u>(\$31,012)</u>

Program revenues continue to make up a significant portion of the Educational Service Center's total revenues (95 percent for fiscal year 2012 and 97 percent for fiscal year 2011). For fiscal year 2012, there was a 14 percent decrease in program revenues as there was a decrease in both charges for services and operating grants and contributions. School districts served by the Educational Service Center are contracting for fewer services as they have increased their in-house staff to provide some of these activities. The decrease in operating grants is the result of several grants receiving less funding than in prior fiscal years or programs have ended. General revenues increased from the increase in foundation payments to the Educational Service Center.

There was also a 13 percent decrease in expenses, primarily reflected in the regular instruction, pupils, and instructional staff programs. These decreases were due to a reduction in grant funding as well as a reduction in service requests from the School Districts served by the Educational Service Center.

Although both revenues and expenses decreased by a somewhat similar amount, program expenses exceeded available revenues in fiscal year 2012 leading to the reduction in total net assets.

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

Western Buckeye Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
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contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction:				
Regular	\$148,115	\$442,860	(\$394,357)	(\$617,689)
Special	1,300,642	1,315,071	(1,998,670)	(2,131,820)
Support Services:				
Pupils	983,366	1,154,500	983,366	1,154,500
Instructional Staff	1,051,088	1,198,226	1,019,180	1,153,555
Board of Education	52,778	51,413	52,778	51,413
Administration	422,412	483,968	422,412	483,968
Fiscal	109,776	102,636	109,776	102,636
Operation and Maintenance of Plant	18,447	28,601	18,447	28,601
Central	35,434	41,470	35,434	41,470
Non-Instructional Services		445		445
Intergovernmental	420,525	413,405	10,174	(893)
Total Expenses	<u>\$4,542,583</u>	<u>\$5,232,595</u>	<u>\$258,540</u>	<u>\$266,186</u>

As indicated previously, a significant portion of the Educational Service Center's program costs are provided for through program revenues, that being charges for programs provided by the Educational Service Center to school districts served by the Educational Service Center and from various grant resources.

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 and special 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 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 instruction.

**The Educational Service Center's Funds**

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2012, fund balance in the General Fund increased 46 percent largely due to the sale of capital assets.

The Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) Fund had a significant decrease in fund balance resulting in a negative fund balance as of fiscal year end as expenditures exceeded grant resources received during the fiscal year.

**Capital Assets**

At June 30, 2012, the Educational Service Center had \$55,040 invested in capital assets (net of accumulated depreciation). There were no additions for fiscal year 2012 and disposals included the Van Wert building and some equipment. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

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

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**Current Issues**

Due to current economic conditions, State foundation revenues are expected to be reduced again by 10-11 percent for fiscal year 2013, with an expectation of further reductions in fiscal year 2014. Grant funding is expected to increase slightly due to the addition of the 21<sup>st</sup> Century grant, which has resulted in increased contracted days for staff funded by the grant. Interest earnings on investments are expected to remain the same as in fiscal year 2012 or may decrease slightly. Service contract revenue is not expected to increase or may decrease due to reduced contracted service requests from the local school districts served by the Educational Service Center. The carryover fund balance is expected to decrease due to normal increases of salaries and benefits unless offset by unexpected revenue streams (additional grants, additional service requests, etc.).

**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 Gary Ginter, Treasurer, Western Buckeye Educational Service Center, 202 North Cherry Street, Paulding, Ohio 45879-1211.

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Western Buckeye Educational Service Center  
Statement of Net Assets  
June 30, 2012

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$779,670
Accounts Receivable	180
Intergovernmental Receivable	102,901
Nondepreciable Capital Assets	5,400
Depreciable Capital Assets, Net	49,640
Total Assets	937,791
 <u>Liabilities:</u>	
Accounts Payable	3,032
Accrued Wages and Benefits Payable	387,053
Intergovernmental Payable	102,325
Long-Term Liabilities:	
Due Within One Year	24,782
Due in More Than One Year	172,682
Total Liabilities	689,874
 <u>Net Assets:</u>	
Invested in Capital Assets	55,040
Unrestricted	192,877
Total Net Assets	\$247,917

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$148,115	\$381,982	\$160,490	\$394,357
Special	1,300,642	2,606,563	692,749	1,998,670
Support Services:				
Pupils	983,366			(983,366)
Instructional Staff	1,051,088	6,908	25,000	(1,019,180)
Board of Education	52,778			(52,778)
Administration	422,412			(422,412)
Fiscal	109,776			(109,776)
Operation and Maintenance of Plant	18,447			(18,447)
Central	35,434			(35,434)
Intergovernmental	420,525		410,351	(10,174)
Total Governmental Activities	<u>\$4,542,583</u>	<u>\$2,995,453</u>	<u>\$1,288,590</u>	<u>(258,540)</u>

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	225,872
Interest	1,289
Miscellaneous	367
Total General Revenues	<u>227,528</u>
Change in Net Assets	(31,012)
Net Assets at Beginning of Year	278,929
Net Assets at End of Year	<u>\$247,917</u>

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Title VI-B	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$779,668		\$2	\$779,670
Accounts Receivable	180			180
Intergovernmental Receivable	33,925	\$54,632	14,344	102,901
Interfund Receivable	7,882			7,882
<b>Total Assets</b>	<b>\$821,655</b>	<b>\$54,632</b>	<b>\$14,346</b>	<b>\$890,633</b>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$3,032			\$3,032
Accrued Wages and Benefits Payable	324,217	\$48,363	\$14,473	387,053
Intergovernmental Payable	92,068	8,022	2,235	102,325
Interfund Payable		7,822	60	7,882
<b>Total Liabilities</b>	<b>419,317</b>	<b>64,207</b>	<b>16,768</b>	<b>500,292</b>
<u>Fund Balances:</u>				
Restricted	1,158			1,158
Assigned	162,940			162,940
Unassigned (Deficit)	238,240	(9,575)	(2,422)	226,243
<b>Total Fund Balances (Deficit)</b>	<b>402,338</b>	<b>(9,575)</b>	<b>(2,422)</b>	<b>390,341</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$821,655</b>	<b>\$54,632</b>	<b>\$14,346</b>	<b>\$890,633</b>

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances	\$390,341
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	55,040
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(197,464)</u>
Net Assets of Governmental Activities	<u><u>\$247,917</u></u>

See Accompanying Notes to the Basic Financial Statements

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

	General	Title VI-B	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$918,451	\$389,631	\$206,210	\$1,514,292
Interest	1,534			1,534
Tuition and Fees	319,554			319,554
Customer Services	2,675,899			2,675,899
Miscellaneous	537			537
Total Revenues	<u>3,915,975</u>	<u>389,631</u>	<u>206,210</u>	<u>4,511,816</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	26,302		121,526	147,828
Special	1,309,668			1,309,668
Support Services:				
Pupils	968,779			968,779
Instructional Staff	994,915	25,323	25,324	1,045,562
Board of Education	52,778			52,778
Administration	395,896			395,896
Fiscal	105,662		2,756	108,418
Operation and Maintenance of Plant	18,447			18,447
Central	23,462		11,694	35,156
Intergovernmental		377,713	42,812	420,525
Total Expenditures	<u>3,895,909</u>	<u>403,036</u>	<u>204,112</u>	<u>4,503,057</u>
Excess of Revenues Over (Under) Expenditures	20,066	(13,405)	2,098	8,759
<u>Other Financing Sources:</u>				
Sale of Capital Assets	<u>106,569</u>			<u>106,569</u>
Changes in Fund Balances	126,635	(13,405)	2,098	115,328
Fund Balances (Deficit) at Beginning of Year	<u>275,703</u>	<u>3,830</u>	<u>(4,520)</u>	<u>275,013</u>
Fund Balances (Deficit) at End of Year	<u>\$402,338</u>	<u>(\$9,575)</u>	<u>(\$2,422)</u>	<u>\$390,341</u>

See Accompanying Notes to the Basic Financial Statements

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

Changes in Fund Balances - Total Governmental Funds	\$115,328
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>	
<p>On the statement of activities, the cost of an asset is allocated over the estimated useful life as depreciation expense.</p>	(8,783)
<p>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.</p>	(121,857)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>	
Interest	(245)
<p>Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	<u>(15,455)</u>
Change in Net Assets of Governmental Activities	<u><u>(\$31,012)</u></u>

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	Investment Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$65,357	\$85,722
<u>Liabilities:</u>		
Undistributed Assets		\$85,722
<u>Net Assets:</u>		
Held in Trust for External Pool Participants	\$65,357	

See Accompanying Notes to the Basic Financial Statements

Western Buckeye Educational Service Center  
Statement of Change in Fiduciary Net Assets  
Investment Trust Fund  
For the Fiscal Year Ended June 30, 2012

<u>Additions:</u>	
Interest	\$4,413
Net Increase in Assets Resulting from Operations	4,413
Distributions to Participants	(5,530)
Capital Transactions	(2,214,140)
Change in Net Assets	(2,215,257)
Net Assets at Beginning of Year	2,280,614
Net Assets at End of Year	\$65,357

See Accompanying Notes to the Basic Financial Statements

**Note 1 - Reporting Entity**

Western Buckeye Educational Service Center (the "Educational Service Center") is located in Paulding, Ohio, the county seat of Paulding County. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Antwerp, Crestview, Lincolnview, and Wayne Trace Local School Districts, the Paulding Exempted Village School District, and the Van Wert 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 Educational Service Center operates under a locally-elected Board of Education consisting of one member elected from each of the four local school districts and one member elected at-large for staggered four year terms. The Educational Service Center has ten administrators, forty-three classified employees, and thirty-two certified teaching personnel 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 the Western Buckeye Educational Service Center, this consists of general operations.

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 Western Buckeye Educational Service Center.

The Educational Service Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Northwestern Ohio Educational Research Council, Inc., Schools of Ohio Risk Sharing Authority, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. Information about these organizations is presented in Notes 16 and 17 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

Government-Wide Financial Statements

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

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

**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. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Governmental Funds

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

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

Title VI-B Fund - The Title VI-B Fund is used to account for grant resources received through the Ohio Department of Education and restricted to providing support for educating handicapped

**Note 2 - Summary of Significant Accounting Policies** (continued)

students. Some of these resources are also passed through or spent on behalf of the local, exempted village, and city school districts served by the Educational Service Center.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center's only trust fund is an investment trust fund which accounts for the activity of the external investment pool, Northwest Ohio Area Computer Services Cooperative. The Educational Service Center's agency funds account for payroll and Family and Children First funds.

**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.

The investment trust fund is accounted for using a flow of economic resources measurement focus.

**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 and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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

**Note 2 - Summary of Significant Accounting Policies** (continued)

collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

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

**Deferred Revenues**

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

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

**Expenses/Expenditures**

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

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

**E. Cash and Investments**

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

During fiscal year 2012, investments consisted of STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2012.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$1,534, which includes \$848 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

**Note 2 - Summary of Significant Accounting Policies** (continued)

statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**F. 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:

<u>Description</u>	<u>Useful Lives</u>
Buildings	45 years
Furniture, Fixtures, and Equipment	6-20 years

**G. 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.

**H. 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 eight or more years of service with the Educational Service Center.

**I. 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,

**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

**J. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets 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.

**K. Fund Balance**

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

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

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

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

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

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

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

**L. 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

**Note 2 - Summary of Significant Accounting Policies** (continued)

a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2012, these funds included the Title VI-B and Preschool special revenue funds.

**M. Estimates**

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

**Note 3 - Accountability**

At June 30, 2012, the Title VI-B, Alternative School, and Preschool special revenue funds had deficit fund balances of \$9,575, \$1,994, and \$428, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**Note 4 - Deposits and Investments** (continued)

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, \$1,101,801 of the Educational Service Center's bank balance of \$1,584,313 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.

Investments

At June 30, 2012, the Educational Service Center had \$133,874 invested with STAR Ohio. The Educational Service Center's investment in STAR Ohio had an average maturity of 53 days and carries a rating of AAA by Standard and Poor's. The Educational Service Center has no policy for interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 5 - Investment Pool**

The Educational Service Center serves as fiscal agent for the Northwest Ohio Area Computer Services Cooperative (NOACSC), a legally separate entity. The Educational Service Center pools the monies of this entity with the Educational Service Center's for investment purposes. The Educational Service Center cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value of investments for both the internal and external portions of the investment pool are disclosed in Note 4 - Deposits and Investments.

Condensed financial information for the investment pool follows:

Western Buckeye Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Note 5 - Investment Pool** (continued)

Statement of Net Assets  
June 30, 2012

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$930,749
 <u>Net Assets Held in Trust for Pool Participants:</u>	
Internal Portion	865,392
External Portion	65,357
Total Net Assets Held in Trust for Pool Participants	\$930,749

Statement of Change in Net Assets  
For the Fiscal Year Ended June 30, 2012

<u>Additions:</u>	
Interest	\$5,947
 <u>Deductions:</u>	
Distributions to Participants	(7,117)
Capital Transactions	(2,072,368)
 Change in Net Assets	 (2,073,538)
Net Assets at Beginning of Year	3,004,287
Net Assets at End of Year	\$930,749

**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 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 Education 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.

Western Buckeye Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

**Note 7 - Receivables**

Receivables at June 30, 2012, consisted of accounts, intergovernmental, and interfund. All receivables are considered collectible in full and within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Excess Costs	\$33,925
Title VI-B	54,632
Total Major Funds	88,557
Other Governmental Funds	
Alternative School	7,194
Preschool	5,235
Miscellaneous Federal Grants	1,915
Total Other Governmental Funds	14,344
Total Intergovernmental Receivables	\$102,901

**Note 8 - Capital Assets**

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

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$28,910		(\$23,510)	\$5,400
Depreciable Capital Assets				
Buildings	161,090		(106,490)	54,600
Furniture, Fixtures, and Equipment	251,989		(92,123)	159,866
Total Depreciable Capital Assets	413,079		(198,613)	214,466
Less Accumulated Depreciation				
Buildings	(\$45,464)	(\$1,213)	\$13,311	(\$33,366)
Furniture, Fixtures, and Equipment	(210,845)	(7,570)	86,955	(131,460)
Total Accumulated Depreciation	(256,309)	(8,783)	100,266	(164,826)
Depreciable Capital Assets, Net	156,770	(8,783)	(98,347)	49,640
Governmental Activities Capital Assets, Net	\$185,680	(\$8,783)	(\$121,857)	\$55,040

**Note 8 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$287
Special	2,050
Support Services:	
Pupils	466
Instructional Staff	3,771
Administration	1,628
Fiscal	303
Central	278
Total Depreciation Expense	\$8,783

**Note 9 - Interfund Assets/Liabilities**

At June 30, 2012, the General Fund had an interfund receivable, in the amount of \$7,882, from the Title VI-B special revenue fund and other governmental funds for short-term loans made to those funds.

**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 2012, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by Schools of Ohio Risk Sharing Authority	
General Liability	
Per Occurrence	\$12,000,000
Total per Year	14,000,000
Automobile Liability	12,000,000
Buildings and Personal Property	1,154,218

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

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

For fiscal year 2012, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the

**Note 10 - Risk Management** (Continued)

GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of five members. The Educational Service Center pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG 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 Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

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

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$246,241 and \$17,935 for the fiscal year ended June 30, 2012, \$279,438 and \$14,634 for the fiscal year ended June 30, 2011, and \$293,441 and \$17,306 for the fiscal year ended June 30, 2010. The full amount has been contributed for all three fiscal years.

**Note 11 - Defined Benefit Pension Plans** (continued)

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$133 made by the Educational Service Center and \$95 made by the plan members. In addition, member contributions of \$12,811 were made for fiscal year 2012 for the defined contribution portion of the CP.

**B. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$361,524, \$338,136, and \$358,603, 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, 2012, all 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 Educational Service Center participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010

**Note 12 - Postemployment Benefits** (continued)

was \$20,331, \$22,624, and \$23,906, respectively. The full amount has been contributed for all three fiscal years.

**B. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the Educational Service Center paid \$40,687 in surcharge.

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

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$15,657, \$40,943, and \$12,907, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$21,350, \$21,760, and \$21,325, 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-five 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, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of thirty days for employees with less than ten years of service with the Educational Service Center, and a maximum of fifty days for employees with ten or more years of service.

**Note 13 - Other Employee Benefits** (continued)

Upon the merger of Paulding and Van Wert Educational Service Centers in fiscal year 1999, certain employees accumulated sick leave balances exceeded one hundred eighty days. For these employees, the maximum sick leave accrual is being maintained at their balance upon the merger.

**B. Health Care Benefits**

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG) for all employee health care benefits. Through VWASIG, the Educational Service Center offers medical, dental, and life insurance benefits. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**Note 14 - Long-Term Obligations**

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

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$182,009	\$40,569	\$25,114	\$197,464	\$24,782

Compensated absences will be paid from the General Fund and the Title VI-B special revenue fund.

**Note 15 - Fund Balance**

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

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

Fund Balance	General	Title VI-B	Other Governmental	Total Governmental Funds
Restricted for:				
Gifted Instructional	\$1,158			\$1,158
Assigned for:				
Educational Activities	157,325			157,325
Unpaid Obligations	5,615			5,615
Total Assigned for:	162,940			162,940
Unassigned (Deficit)	238,240	(\$9,575)	(\$2,422)	226,243
Total Fund Balance (Deficit)	\$402,338	(\$9,575)	(\$2,422)	\$390,341

**Note 16 - Jointly Governed Organizations**

**A. Northwest Ohio Area Computer Services Cooperative**

The Educational Service Center is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2012, the Educational Service Center paid \$3,736 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

**B. 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 17 - Insurance Pools**

**A. Schools of Ohio Risk Sharing Authority**

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA 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. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 17 - Insurance Pools** (continued)

**C. Van Wert Area Schools Insurance Group**

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 205 West Crawford Street, Van Wert, Ohio 45891.

**Notes 18 - Contingencies**

**A. Grants**

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

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

**B. Litigation**

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

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Western Buckeye Educational Service Center  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$700,000	\$880,000	\$918,451	\$38,451
Interest	4,500	4,500	1,587	(2,913)
Tuition and Fees	346,500	351,609	319,374	(32,235)
Customer Services	2,431,000	2,671,718	2,773,512	101,794
Miscellaneous	2,300	800	470	(330)
Total Revenues	<u>3,484,300</u>	<u>3,908,627</u>	<u>4,013,394</u>	<u>104,767</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	503,085	485,522	26,587	458,935
Special	1,156,093	1,122,093	1,309,998	(187,905)
Support Services:				
Pupils	973,395	998,395	992,559	5,836
Instructional Staff	828,319	828,319	988,674	(160,355)
Board of Education	72,011	72,011	53,687	18,324
Administration	478,892	478,892	396,433	82,459
Fiscal	112,615	112,615	106,040	6,575
Operation and Maintenance of Plant	33,726	33,725	28,667	5,058
Central	15,254	24,254	24,144	110
Total Expenditures	<u>4,173,390</u>	<u>4,155,826</u>	<u>3,926,789</u>	<u>229,037</u>
Excess of Revenues Over (Under) Expenditures	<u>(689,090)</u>	<u>(247,199)</u>	<u>86,605</u>	<u>333,804</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets		106,569	106,569	
Refund of Prior Year Expenditures			3,766	3,766
Other Financing Uses		(440,190)		440,190
Total Other Financing Sources (Uses)		<u>(333,621)</u>	<u>110,335</u>	<u>443,956</u>
Changes in Fund Balance	(689,090)	(580,820)	196,940	777,760
Fund Balance at Beginning of Year	555,069	555,069	555,069	
Prior Year Encumbrances Appropriated	25,751	25,751	25,751	
Fund Balance (Deficit) at End of Year	<u>(\$108,270)</u>	<u>25,751</u>	<u>\$777,760</u>	<u>\$777,760</u>

See Accompanying Notes to the Supplemental Section

Western Buckeye Educational Service Center  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
Title VI-B Fund  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$416,370	\$416,370	\$361,737	(\$54,633)
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	350,707	350,453	308,549	41,904
Support Services:				
Pupils	2,467	2,465	2,465	
Instructional Staff	59,393	59,673	54,766	4,907
Administration	32,517	32,493	32,493	
Total Expenditures	<u>445,084</u>	<u>445,084</u>	<u>398,273</u>	<u>46,811</u>
Changes in Fund Balance	(28,714)	(28,714)	(36,536)	(7,822)
Fund Balance at Beginning of Year	28,391	28,391	28,391	
Prior Year Encumbrances Appropriated	323	323	323	
Fund Balance (Deficit) at End of Year	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>(\$7,822)</u></u>	<u><u>(\$7,822)</u></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 and function level within the General Fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the object level in the General Fund and the function and object level within all other 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 as provided by law 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 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 restricted, committed, or assigned fund balance (GAAP basis).

Western Buckeye Educational Service Center  
Notes to the Supplemental Section  
For the Fiscal Year Ended June 30, 2012

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**Note 2 - Budgetary Basis of Accounting** (continued)

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

	General Fund	Title VI-B Fund
GAAP Basis	\$126,635	(\$13,405)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2011, Received in Cash FY 2012	135,262	26,738
Accrued FY 2012, Not Yet Received in Cash	(34,105)	(54,632)
Expenditure Accruals:		
Accrued FY 2011, Paid in Cash FY 2012	(440,407)	(51,622)
Accrued FY 2012, Not Yet Paid in Cash	419,317	56,385
Unrecorded Cash Activity 2011	28	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(9,790)	
Budget Basis	\$196,940	(\$36,536)

**WESTERN BUCKEYE EDUCATION SERVICE CENTER  
PAULDING COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	\$361,737	\$398,273
Special Education Preschool Grants	84.173	<u>45,484</u>	<u>45,646</u>
Total Special Education Cluster		<u>407,221</u>	<u>443,919</u>
ARRA - Race to the Top Incentive Grant, Recovery Act	84.395	700	700
Twenty-First Century Community Learning Center	84.287	104,799	101,355
<b>Passed Through Ohio Department of Health</b>			
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	<u>19,886</u>	<u>19,538</u>
<b>Direct Assistance:</b>			
Fund for the Improvement of Education	84.215	<u>20,070</u>	<u>7,823</u>
<b>Total</b>		<b><u><u>\$552,676</u></u></b>	<b><u><u>\$573,335</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER  
PAULDING COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



# Dave Yost • Auditor of State

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

Western Buckeye Education Service Center  
Paulding County  
202 North Cherry Street, P.O. Box 176  
Paulding, Ohio 45879-0176

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Buckeye Education Service Center, Paulding County, Ohio (the Education Service Center), as of and for the year ended June 30, 2012, which collectively comprise the Education Service Center's basic financial statements and have issued our report thereon dated January 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

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

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

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

**Dave Yost**  
Auditor of State

January 24, 2013



# Dave Yost • Auditor of State

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

Western Buckeye Education Service Center  
Paulding County  
202 North Cherry Street, P.O. Box 176  
Paulding, Ohio 45879-0176

To the Governing Board:

### Compliance

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

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

In our opinion, the Western Buckeye Educational Service Center, Paulding County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-001.

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2012-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



**Dave Yost**  
Auditor of State

January 24, 2013

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER  
PAULDING COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – Special Education Grants to States - CFDA #84.027, and Special Education Preschool Grants – CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2012 – 001
<b>CFDA Title and Number</b>	84.027 Special Education - Grants to States 84.173 Special Education Preschool Grants
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation and Significant Deficiency**

**SPECIAL EDUCATION CLUSTER – SPECIAL EDUCATION GRANTS TO STATES – CASH MANAGEMENT**

34 CFR 80.20(b),(7) provides in part: “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.”

The Ohio Department of Education online Project Cash Request form and 34 CFR 80.21 provide that except for the initial PCR, cash requests are limited to one advance per month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). Funds are to be expended within the period of time for which they are requested (e.g. funds requested for January should be expended during January).

The Educational Service Center did not fully expend 7 percent of the advances by the end of the month for which they were requested.

Failure to expend federal funds timely could result in additional interest earnings and could result in the Educational Service Center being required to return federal funds.

We recommend the Educational Service Center monitor available cash fund balances to ensure advances are spent in a timely manner.

**Officials’ Response:**

We did not receive a response from Officials to this finding.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER  
PAULDING COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-001	The District plans to strengthen its procedures of cash management for the Special Education Cluster Program.	FY 2013	Gary Ginter, Treasurer

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# Dave Yost • Auditor of State

WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER

PAULDING COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 7, 2013