



**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wood County Educational Service Center (the Educational Service Center), as of and for the year ended June 30, 2007, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wood County Educational Service Center, as of June 30, 2007, 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 15, 2008, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Educational Service Center's basic financial statements. The budgetary comparison for the General Fund and Community Centers Grant Fund provide additional information and is not a required part of the basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the budgetary comparison for the General Fund and Community Centers Grant Fund and schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

January 15, 2008

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

The discussion and analysis of Wood County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- Total net assets increased by \$526,448, or 10 percent from the prior fiscal year. This increase is primarily the result of an increase in charges for services revenues.

**Using the Basic Financial Statements**

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

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

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

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

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

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

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

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

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 2007 compared to fiscal year 2006:

Table 1 Net Assets			
	Governmental Activities		
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$5,788,871	\$4,996,526	\$792,345
Capital Assets, Net	2,153,713	2,211,203	(57,490)
Total Assets	<u>7,942,584</u>	<u>7,207,729</u>	<u>734,855</u>
<u>Liabilities:</u>			
Current and Other Liabilities	1,714,583	1,506,165	(208,418)
Long-Term Liabilities	584,818	584,829	11
Total Liabilities	<u>2,299,401</u>	<u>2,090,994</u>	<u>(208,407)</u>
<u>Net Assets:</u>			
Invested in Capital Assets	2,153,713	2,211,203	(57,490)
Restricted	1,218,875	875,555	343,320
Unrestricted	2,270,595	2,029,977	240,618
Total Net Assets	<u>\$5,643,183</u>	<u>\$5,116,735</u>	<u>\$526,448</u>

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Overall, net assets increased about 10 percent from the prior fiscal year. The increase in current and other assets (specifically cash and cash equivalents) is the result of revenues exceeding expenses for the fiscal year (there was a 7 percent increase in revenues and only a 5.8 increase in expenses).

Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

Table 2  
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$10,840,528	\$10,059,746	\$780,782
Operating Grants and Contributions	2,875,224	2,776,491	98,733
Total Program Revenues	<u>13,715,752</u>	<u>12,836,237</u>	<u>879,515</u>
General Revenues			
Grants and Entitlements	577,170	482,982	94,188
Interest	269,435	184,287	85,148
Gifts and Donations		208	(208)
Miscellaneous	134,099	175,060	(40,961)
Total General Revenues	<u>980,704</u>	<u>842,537</u>	<u>138,167</u>
Total Revenues	<u>14,696,456</u>	<u>13,678,774</u>	<u>1,017,682</u>
<u>Expenses:</u>			
Instruction:			
Regular	939,274	1,062,787	123,513
Special	5,396,562	5,101,675	(294,887)
Adult/Continuing	21,396	39,416	18,020
Support Services:			
Pupils	2,323,030	2,194,473	(128,557)
Instructional Staff	3,013,636	2,690,156	(323,480)
Board of Education	40,295	44,222	3,927
Administration	1,328,530	1,294,743	(33,787)
Fiscal	539,346	463,848	(75,498)
Operation and Maintenance of Plant	110,194	69,227	(40,967)
Pupil Transportation	59,196	60,041	845
Central	182,279	151,158	(31,121)
Non-Instructional Services	15,527	13,041	(2,486)
Extracurricular Activities		541	541
Intergovernmental	200,743	202,908	2,165
Total Expenses	<u>14,170,008</u>	<u>13,388,236</u>	<u>(781,772)</u>
Increase in Net Assets	526,448	290,538	235,910
Net Assets at Beginning of Year	5,116,735	4,826,197	290,538
Net Assets at End of Year	<u>\$5,643,183</u>	<u>\$5,116,735</u>	<u>\$526,448</u>

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Program revenues were 93 percent of total revenues for fiscal year 2007 (approximately the same as fiscal year 2006) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 71 percent of total revenues. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to six local, two exempted village, and one city school district in Northwest Ohio, as well as some services to various other area school districts and agencies, both within and outside Wood County. Total revenues increased in fiscal year 2007 due to the increase in local school district charges for services and from the receipt of the H.B. 115 Post Secondary grant.

Charges for special instruction make up the majority of the charges for services with significant levels of regular instruction services as well.

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget, with 38 percent of overall expenses directly related to special instruction activities including instruction of gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, autistic, emotional disturbed, cognitive and specific learning disabled, and preschool disabled children.

Regular instruction costs (7 percent of total expenses) include opportunity programs, alternative programs, suspension programs, reading recovery services, regular education substitute services, and intervention tutors.

Pupil support services were 16 percent of total expenses. These expenses include the costs of supervisors, school improvement specialists, secretaries, child information management specialists, paraprofessionals (teacher aides), and a technology director.

Expenses for the services of a nurse, school psychologists, audiologist, speech therapists, adapted physical education instructors, occupational therapists, and physical therapists represented 21 percent of overall expenses and are reflected as instructional staff support services.

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$939,274	\$1,062,787	(\$922,641)	(\$770,465)
Special	5,396,562	5,101,675	(4,393,139)	(3,917,530)
Adult/Continuing	21,396	39,416	21,396	28,476
Support Services:				
Pupils	2,323,030	2,194,473	1,347,772	1,158,842
Instructional Staff	3,013,636	2,690,156	2,424,973	2,248,274
Board of Education	40,295	44,222	40,295	44,222
Administration	1,328,530	1,294,743	1,279,456	1,216,733
Fiscal	539,346	463,848	385,079	366,616
Operation and Maintenance of Plant	110,194	69,227	110,194	63,714
Pupil Transportation	59,196	60,041	8,774	10,142
Central	182,279	151,158	170,383	141,170
Non-Instructional Services	15,527	13,041	(12,947)	(11,185)
Extracurricular Activities		541		541
Intergovernmental	200,743	202,908	(5,339)	(27,551)
Total Expenses	<u>\$14,170,008</u>	<u>\$13,388,236</u>	<u>\$454,256</u>	<u>\$551,999</u>

Over 97 percent of the Educational Service Center's costs for providing services are supported by program revenues. Funding for gifted units and preschool units are provided by the State based on the degree and experience of the staff employed in those positions. These units have been and continue to be funded well below actual costs. The remaining costs are covered by general revenues.

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

**The Educational Service Center's Funds**

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. For fiscal year 2007, revenues exceeded expenditures for both the General Fund and the Community Centers Grant Fund by \$275,701 and \$161,066, respectively. For the General Fund, the increase in fund balance of over 11 percent is the result of closely monitoring spending and charging for the programs being offered. Fund balance increased in the Community Centers Grant by 40 percent, revenues stayed the same as the prior fiscal year; however, expenditures decreased by 10 percent. Expenditures in this fund have been offset by funds received from a five-year federal grant, The 21st Century Grant. Fiscal year 2007 will be the final funding year for this federal program; therefore, additional funds will need to be secured from alternative sources after fiscal year 2007 for the community learning centers program to stay solvent.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Capital Assets**

At June 30, 2007, the Educational Service Center had \$2,153,713 invested in capital assets (net of accumulated depreciation), a decrease of \$57,490. The reduction is due to depreciation expense exceeding capital acquisitions. For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

**Current Issues**

Since fiscal year 1994, there have been no increases in funding from the State. Costs for services will continue to increase due to salary schedule increases and years of experience increases. Insurance costs will continue their trend of increasing costs. Since the Educational Service Center charges school districts for services based on costs, charges for services will increase in fiscal year 2008.

In 2002, the Ohio General Assembly approved Amended Substitute House Bill 94, the State operating budget bill for the 124<sup>th</sup> General Assembly. Originally introduced as the "Education Budget", the legislation in its final form contained a provision providing boards of county commissioners with a graduated five-year phase out of the State mandate to provide office space, utilities, and equipment to educational service centers. In fiscal year 2005, the Wood County Commissioners charged the Educational Service Center 60 percent of the costs of the debt service requirements and operational costs of the 639 South Dunbridge office facility. The percentage charged to the Educational Service Center would have finally been fully phased in at 100 percent in fiscal year 2007 had the Educational Service Center not moved forward and built our own facility. During fiscal year 2005, construction was completed on a 20,000 square foot office facility to house the Educational Service Center.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gina R. Fernbaugh, Treasurer/CFO, Wood County Educational Service Center, 1867 North Research Drive, Bowling Green, Ohio 43402-8835.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Statement of Net Assets  
June 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,373,139
Accounts Receivable	118,105
Accrued Interest Receivable	9,650
Intergovernmental Receivable	282,545
Prepaid Items	5,432
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	<u>2,041,213</u>
Total Assets	<u>7,942,584</u>
 <u>Liabilities:</u>	
Accounts Payable	36,865
Accrued Wages and Benefits Payable	1,347,213
Intergovernmental Payable	330,505
Long-Term Liabilities:	
Due Within One Year	93,083
Due in More Than One Year	<u>491,735</u>
Total Liabilities	<u>2,299,401</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	2,153,713
Restricted for:	
Community Center Grants	660,144
Alternative School	283,857
Other Purposes	274,874
Unrestricted	<u>2,270,595</u>
Total Net Assets	<u><u>\$5,643,183</u></u>

See Accompanying Notes to Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$939,274	\$1,308,135	\$553,780
Special	5,396,562	8,558,767	1,230,934
Adult/Continuing	21,396		(21,396)
Support Services:			
Pupils	2,323,030	262,565	712,693
Instructional Staff	3,013,636	464,992	123,671
Board of Education	40,295		(40,295)
Administration	1,328,530	29,074	20,000
Fiscal	539,346	154,267	(385,079)
Operation and Maintenance of Plant	110,194		(110,194)
Pupil Transportation	59,196	50,422	(8,774)
Central	182,279	7,456	4,440
Non-Instructional Services	15,527	4,850	23,624
Intergovernmental	200,743		206,082
Total Governmental Activities	<u>\$14,170,008</u>	<u>\$10,840,528</u>	<u>\$2,875,224</u>
<u>General Revenues:</u>			
Grants and Entitlements not Restricted to Specific Programs			577,170
Interest			269,435
Miscellaneous			134,099
Total General Revenues			<u>980,704</u>
Change in Net Assets			526,448
Net Assets at Beginning of Year			5,116,735
Net Assets at End of Year			<u>\$5,643,183</u>

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

Balance Sheet  
Governmental Funds  
June 30, 2007

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,202,539	\$530,544	\$640,056	\$5,373,139
Accounts Receivable	5,607	112,498		118,105
Accrued Interest Receivable	9,650			9,650
Intergovernmental Receivable	121,985	1,267	159,293	282,545
Interfund Receivable	106,847	28,031		134,878
Prepaid Items	5,432			5,432
Total Assets	<u>\$4,452,060</u>	<u>\$672,340</u>	<u>\$799,349</u>	<u>\$5,923,749</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$21,139	\$2,342	\$13,384	\$36,865
Accrued Wages and Benefits Payable	1,280,783	2,164	64,266	1,347,213
Intergovernmental Payable	304,171	1,143	25,191	330,505
Interfund Payable			134,878	134,878
Deferred Revenue	21,412	102,404	40,900	164,716
Total Liabilities	<u>1,627,505</u>	<u>108,053</u>	<u>278,619</u>	<u>2,014,177</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	36,414	32,171	274,193	342,778
Unreserved, Reported in:				
General Fund	2,788,141			2,788,141
Special Revenue Funds		532,116	246,537	778,653
Total Fund Balances	<u>2,824,555</u>	<u>564,287</u>	<u>520,730</u>	<u>3,909,572</u>
Total Liabilities and Fund Balances	<u>\$4,452,060</u>	<u>\$672,340</u>	<u>\$799,349</u>	<u>\$5,923,749</u>

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2007**

Total Governmental Fund Balances		\$3,909,572
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.		2,153,713
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$103,989	
Accrued Interest Receivable	59,139	
Intergovernmental Receivable	<u>1,588</u>	
		164,716
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(584,818)</u>
Net Assets of Governmental Activities		<u><u>\$5,643,183</u></u>

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007**

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$1,739,171	\$128,907	\$1,590,547	\$3,458,625
Interest	269,100			269,100
Tuition and Fees	432,862		67,545	500,407
Customer Services	9,709,071	116,467	615,462	10,441,000
Gifts and Donations	2,250	69,265		71,515
Miscellaneous	133,723	3,182	162	137,067
Total Revenues	<u>12,286,177</u>	<u>317,821</u>	<u>2,273,716</u>	<u>14,877,714</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	391,031	29,812	518,460	939,303
Special	5,300,349		92,379	5,392,728
Adult/Continuing			21,396	21,396
Support Services:				
Pupils	1,769,170	18,783	620,364	2,408,317
Instructional Staff	2,665,785	58,984	299,504	3,024,273
Board of Education	40,295			40,295
Administration	1,085,416	49,176	171,879	1,306,471
Fiscal	425,805		101,258	527,063
Operation and Maintenance of Plant	86,754		23,219	109,973
Pupil Transportation	59,185			59,185
Central	172,272		7,320	179,592
Non-Instructional Services	14,414		1,113	15,527
Intergovernmental			194,178	194,178
Total Expenditures	<u>12,010,476</u>	<u>156,755</u>	<u>2,051,070</u>	<u>14,218,301</u>
Changes in Fund Balances	275,701	161,066	222,646	659,413
Fund Balances at Beginning of Year	<u>2,548,854</u>	<u>403,221</u>	<u>298,084</u>	<u>3,250,159</u>
Fund Balances at End of Year	<u>\$2,824,555</u>	<u>\$564,287</u>	<u>\$520,730</u>	<u>\$3,909,572</u>

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

Changes in Fund Balances - Total Governmental Funds \$659,413

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

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

Capital Outlay	\$33,857	
Depreciation	(90,965)	
	(57,108)	(57,108)

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. (382)

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

Intergovernmental	390	
Interest	335	
Tuition and Fees	(65,111)	
Customer Services	(9,591)	
Miscellaneous	(1,509)	
	(75,486)	(75,486)

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. 11

Change in Net Assets of Governmental Activities \$526,448

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Statement of Fiduciary Net Assets  
Private Purpose Trust Fund  
June 30, 2007**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,389</u></u>
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Net Assets:

Held in Trust for Students	<u><u>\$1,389</u></u>
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See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2007**

<u>Additions:</u>	
Interest	\$70
Net Assets at Beginning of Year	1,319
Net Assets at End of Year	<u><u>\$1,389</u></u>

See Accompanying Notes to the Basic Financial Statements

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 - REPORTING ENTITY**

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

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

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

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

The Educational Service Center participates in four jointly governed organizations and two insurance pools. These organizations are the Penta Career Center, the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, and the Wood County Insurance Consortium. These organizations are presented in Notes 14 and 15 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**A. Basis of Presentation**

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Educational Service Center that are governmental activities (primarily supported by taxes and 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 most governmental functions of the Educational Service Center are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Educational Service Center's two major funds are the General Fund and the Community Centers Grant special revenue fund.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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

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

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

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 private purpose trust fund accounts for monies used for college scholarships or other educational purposes as determined by the Trusts' board of trustees. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center does not have any agency 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 private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and the fiduciary fund uses 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 collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenues

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

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

Expenses/Expenditures

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**E. Cash and Investments**

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

During fiscal year 2007, investments included nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2007 was \$269,100, which includes \$33,442 assigned from other Educational Service Center funds.

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Capital Assets**

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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>
Furniture, Fixtures, and Equipment	5-10 years
Building	40 years

**H. Interfund Assets/Liabilities**

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

**I. Compensated Absences**

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

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

**J. Accrued Liabilities and Long-Term Obligations**

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

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

**K. Net Assets**

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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. As of June 30, 2007, the Educational Service Center had no net assets restricted by enabling legislation.

**L. Fund Balance Reserves**

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

**M. Flow-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2007, these funds included the Psych Intern and Preschool special revenue funds.

**N. Interfund Transactions**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

**O. Estimates**

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

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2007, the Public School, RVAS, Reading Recovery, Private Industry Council, Preschool, and 21<sup>st</sup> Century special revenue funds had deficit fund balances of \$1,277, \$96, \$656, \$34,662, \$549, and \$5,123, 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.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**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;
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.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

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, \$907,845 of the Educational Service Center's bank balance of \$5,436,101 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

As of June 30, 2007, the Educational Service Center had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$200,000	10/30/08
STAR Ohio	4,270	38.56 days
Total Investments	\$204,270	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the Educational Service Center.

The Federal Home Loan Bank Bonds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The Educational Service Center has no investment policy dealing with 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.

The Educational Service Center places no limit on the amount it may invest in any one issuer. The School District's investment in Federal Home Loan Bank Bonds represents total investments relative to the concentration of credit risk.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 5 - STATE FUNDING**

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

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

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

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2007, consisted of accounts, accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 6 – RECEIVABLES – (CONTINUED)**

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Funds	
General Fund	
Tuition	\$106,536
Miscellaneous	15,449
Total General Fund	121,985
Community Centers Grant Fund	
Miscellaneous	1,267
Total Major Funds	123,252
Other Governmental Funds	
Northwest Ohio Regional Autism Advisory Committee	26,054
Tobacco Use Prevention and Control Foundation	14,525
RVAS	8,000
Reading Recovery	6,275
Private Industry Council	83,046
Parent Mentor	4,766
Preschool	13,345
OSU Research	3,282
Total Other Governmental Funds	159,293
Total Intergovernmental Receivables	\$282,545

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$112,500			\$112,500
Governmental Activities (continued)				
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	\$829,365	\$33,857	(\$39,158)	\$824,064
Building	2,149,640			2,149,640
Total Depreciable Capital Assets	<u>2,979,005</u>	<u>33,857</u>	<u>(39,158)</u>	<u>2,973,704</u>
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(772,820)	(37,224)	38,776	(771,268)
Building	(107,482)	(53,741)		(161,223)
Total Accumulated Depreciation	<u>(880,302)</u>	<u>(90,965)</u>	<u>38,776</u>	<u>(932,491)</u>
Depreciable Capital Assets, Net	<u>2,098,703</u>	<u>(57,108)</u>	<u>(382)</u>	<u>2,041,213</u>
Governmental Activities Capital Assets, Net	<u>\$2,211,203</u>	<u>(\$57,108)</u>	<u>(\$382)</u>	<u>\$2,153,713</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$14,676
Special		13,218
Support Services:		
Pupils		22,792
Instructional Staff		8,305
Administration		25,066
Fiscal		5,547
Central		1,361
Total Depreciation Expense		<u>\$90,965</u>

**NOTE 8 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2007, the General Fund and the Community Centers Grant special revenue fund had an interfund receivable, in the amount of \$106,847 and \$28,031, respectively, from other governmental funds as a result of providing cash flow resources until the receipt of grant monies.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 9 - RISK MANAGEMENT**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Educational Service Center contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Excess Liability	2,000,000
Comprehensive Auto Liability	2,000,000
Uninsured Motorists	1,000,000

Coverage provided by Cincinnati Insurance:

Commercial Property	631,214
Building	2,669,816

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 2007, the Educational Service Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 CP offers features of both the DBP and 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. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Educational Service Center's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005, was \$687,869, \$675,348, and \$640,298, respectively; 77 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$22,687 made by the Educational Service Center and \$37,553 made by plan members.

**B. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, was \$325,130, \$292,875, and \$295,011, 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, 2007, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service Center, this amount was \$54,658.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 Percent of each employer's SERS salaries. For the Educational Service Center, the amount to fund health care benefits, including the surcharge, was \$146,734 for fiscal year 2007.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available), were \$295,600,000. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**NOTE 13 - LONG-TERM OBLIGATIONS**

Changes in the Educational Service Center's long-term obligations during fiscal year 2007 were as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$584,829	\$44,621	\$44,632	\$584,818	\$93,083

Compensated absences will be paid from the General Fund and the Community Centers Grant; Alcohol, Tobacco, and Other Drug Prevention; Reading Recovery; Private Industry Council; Preschool; and 21<sup>st</sup> Century special revenue funds.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Penta Career Center**

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of eleven members from the participating School Districts' elected Boards. Board members are appointed for a term of two years to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers, one each from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

**B. Northwest Ohio Computer Association**

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

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2007, the Educational Service Center paid \$18,858 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

**C. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**NOTE 15 - INSURANCE POOLS**

**A. Ohio School Plan**

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

**B. Wood County Insurance Consortium**

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2007.

**B. Litigation**

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2007**

	Original	Final	Actual	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$1,747,295	\$1,725,518	\$1,725,518	
Interest	220,000	270,699	273,028	\$2,329
Tuition and Fees	489,326	465,328	451,544	(13,784)
Customer Services	9,416,374	9,691,173	9,631,471	(59,702)
Gifts and Donations	7,500	2,250	2,250	
Miscellaneous	81,796	107,203	107,536	333
Total Revenues	<u>11,962,291</u>	<u>12,262,171</u>	<u>12,191,347</u>	<u>(70,824)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	391,796	392,668	388,004	4,664
Special	5,198,834	5,305,755	5,234,657	71,098
Support Services:				
Pupils	1,743,795	1,793,245	1,735,788	57,457
Instructional Staff	2,546,547	2,707,585	2,621,215	86,370
Board of Education	44,421	45,500	40,433	5,067
Administration	1,170,528	1,221,061	1,079,469	141,592
Fiscal	419,800	430,401	426,279	4,122
Operation and Maintenance of Plant	88,130	92,796	85,603	7,193
Pupil Transportation	60,482	60,562	59,305	1,257
Central	115,384	174,534	171,975	2,559
Non-Instructional Services	13,474	14,774	14,411	363
Total Expenditures	<u>11,793,191</u>	<u>12,238,881</u>	<u>11,857,139</u>	<u>381,742</u>
Excess of Revenues Over Expenditures	<u>169,100</u>	<u>23,290</u>	<u>334,208</u>	<u>310,918</u>
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	60,334	58,566	58,566	
Refund of Prior Year Receipts		(665)	(665)	
Other Financing Uses	(75,000)	(71,978)		71,978
Advances In	59,829	59,829	59,829	
Advances Out	(100,000)	(103,022)	(103,022)	
Total Other Financing Sources (Uses)	<u>(54,837)</u>	<u>(57,270)</u>	<u>14,708</u>	<u>71,978</u>
Changes in Fund Balance	114,263	(33,980)	348,916	382,896
Fund Balance at Beginning of Year	3,748,206	3,748,206	3,748,206	
Prior Year Encumbrances Appropriated	55,944	55,944	55,944	
Fund Balance at End of Year	<u>\$3,918,413</u>	<u>\$3,770,170</u>	<u>\$4,153,066</u>	<u>\$382,896</u>

See Accompanying Notes to the Supplemental Section

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
Community Centers Grant Fund  
For the Fiscal Year Ended June 30, 2007**

	Original	Final	Actual	Variance with Final Budget Over (Under)
<u>Revenues:</u>				
Intergovernmental	\$218,110	\$176,387	\$176,387	
Customer Services	85,364	120,844	117,700	(\$3,144)
Gifts and Donations	400			
Total Revenues	<u>303,874</u>	<u>297,231</u>	<u>294,087</u>	<u>(3,144)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	73,105	77,445	54,438	23,007
Support Services:				
Pupils	43,572	38,865	18,796	20,069
Instructional Staff	68,391	68,715	59,965	8,750
Administration	50,980	53,940	50,056	3,884
Pupil Transportation	12,500	12,500	6,000	6,500
Total Expenditures	<u>248,548</u>	<u>251,465</u>	<u>189,255</u>	<u>62,210</u>
Excess of Revenues Over Expenditures	55,326	45,766	104,832	59,066
<u>Other Financing Sources</u>				
Refund of Prior Year Expenditures	<u>4,834</u>	<u>6,341</u>	<u>6,341</u>	
Changes in Fund Balance	60,160	52,107	111,173	59,066
Fund Balance at Beginning of Year	373,685	373,685	373,685	
Prior Year Encumbrances Appropriated	<u>12,125</u>	<u>12,125</u>	<u>12,125</u>	
Fund Balance at End of Year	<u>\$445,970</u>	<u>\$437,917</u>	<u>\$496,983</u>	<u>\$59,066</u>

See Accompanying Notes to the Supplemental Section

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**NOTES TO THE SUPPLEMENTAL SECTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 - BUDGETARY PROCESS**

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

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

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

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

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

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

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE SUPPLEMENTAL SECTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)**

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

	Changes in Fund Balance	
	General	Community Centers Grant
GAAP Basis	\$275,701	\$161,066
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued FY 2006, Received in Cash FY 2007	82,190	21,999
Accrued FY 2007, Not Yet Received in Cash	(115,830)	(39,392)
Expenditure Accruals:		
Accrued FY 2006, Paid in Cash FY 2007	(1,410,774)	(4,588)
Accrued FY 2007, Not Yet Paid in Cash	1,606,093	5,649
Cash Adjustments:		
Unrecorded Activity FY 2006	(2,624)	
Prepaid Items	6,826	
Advances In	59,829	
Advances Out	(103,022)	
Encumbrances Outstanding at Year End (Budget Basis)	(49,473)	(33,561)
Budget Basis	\$348,916	\$111,173

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Federal Receipts	Federal Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	050666-05PU-2006	10.553	\$ 976	\$ 976
	050666-05PU-2007		3,873	3,873
Total School Breakfast Program			<b>4,849</b>	<b>4,849</b>
National School Lunch Program	050666-LLP1-2006	10.555	1,177	1,177
	050666-LLP1-2007		7,051	7,051
	050666-LLP4-2006		1,616	1,616
	050666-LLP4-2007		6,828	6,828
Total National School Lunch Program			<b>16,672</b>	<b>16,672</b>
Summer Food Service Program for Children	050666-24PU-2007	10.559	<b>6,679</b>	<b>6,679</b>
Total Child Nutrition Cluster			<b>28,200</b>	<b>28,200</b>
Child and Adult Care Food Program	050666-CCMO-2006	10.558	983	983
	050666-CCMO-2007		6,026	6,026
			<b>7,009</b>	<b>7,009</b>
<b>Total U.S. Department of Agriculture</b>			<b>35,209</b>	<b>35,209</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
<i>Passed Through the Ohio Department of Education</i>				
<i>Special Education Cluster:</i>				
Special Education Grants to States	050666-6BPM-2006	84.027	4,626	4,285
	050666-6BPM-2007		20,234	20,798
Total Special Education Grants to States			<b>24,860</b>	<b>25,083</b>
Special Education Preschool Grants	050666-PGS1-2006	84.173	14,658	14,716
	050666-PGS1-2007		64,581	64,258
Total Special Education Preschool Grants			<b>79,239</b>	<b>78,974</b>
<b>Total Special Education Cluster</b>			<b>104,099</b>	<b>104,057</b>
Twenty-First Century Community Learning Centers	050666-T1S1-2006	84.287	1,786	3,030
	050666-T1S1-2007		236,279	235,479
Total Twenty-First Century Community Learning Centers			<b>238,065</b>	<b>238,509</b>
Title 1 Grants to Local Educational Agencies	050666-C1SD-2007	84.010	<b>98,928</b>	<b>98,928</b>
<i>Passed Through the OSU Research Foundation</i>				
Funds for the Improvement of Education	60007123	84.215	20,720	
	60010067		16,718	16,718
Total Funds for the Improvement of Education			<b>37,438</b>	<b>16,718</b>
<b>Total U.S. Department of Education</b>			<b>478,530</b>	<b>458,212</b>
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through the Wood County Department of Alcohol, Drug Addiction, and Mental Health Services</i>				
Block Grant for Prevention and Treatment of Substance Abuse		93.959	<b>111,224</b>	<b>111,224</b>
<b>Total United States Department of Health and Human Services</b>			<b>111,224</b>	<b>111,224</b>
<b>TOTAL - FEDERAL AWARDS EXPENDITURES</b>			<b>\$ 624,963</b>	<b>\$ 604,645</b>

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

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B CHILD NUTRITION CLUSTER**

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

**NOTE C - MATCHING REQUIREMENTS**

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

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# Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, (the Educational Service Center) as of and for the year ended June 30, 2007, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated January 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Educational Service Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
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### **Compliance and Other Matters**

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

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

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

**Mary Taylor, CPA**  
Auditor of State

January 15, 2008



# Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

### Compliance

We have audited the compliance of the Wood County Educational Service Center (the Educational Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Educational Service Center's major federal program. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Educational Service Center's compliance based on our audit.

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

In our opinion, the Wood County Educational Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

### Internal Control Over Compliance

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Educational Service Center's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Educational Service Center's internal control over compliance.

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

January 15, 2008

**WOOD COUNTY EDUCATIONAL SERVICE CENTER  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

**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 other 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 other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.287 Twenty-First Century Community Learning Centers
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**WOOD COUNTY EDUCATIONAL SERVICE CENTER**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 7, 2008**