



Dave Yost • Auditor of State

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Ohio Educational Service Center
Fulton County
P.O. Box 250
Archbold, Ohio 43502-0250

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 Northwest Ohio Educational Service Center, Fulton County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2010, 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 Northwest Ohio Educational Service Center, Fulton County, Ohio, as of June 30, 2010, 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 February 23, 2011, 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.

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

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



Dave Yost
Auditor of State

February 23, 2011

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Northwest Ohio 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, 2010. 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 2010 are as follows:

There was an increase in net assets for fiscal year 2010 of \$726,948. While there was minimal change in revenues and in expenses from the prior fiscal year, revenues were in excess of expenses which resulted in this increase. Refer to Table 2 and note the increase in revenues was \$248,192 (1 percent) and the decrease in expenses was \$310,451 (1.5 percent) both insignificant changes; however, in combination reflect the increase in net assets. This increase also reflects the impact of the receipt of grant resources obtained through the American Recovery and Reinvestment Act, a revenue source which terminates in fiscal year 2011.

On September 1, 2010, the Educational Service Center exercised our option to purchase previously leased office space. The Educational Service Center also owns a facility to house the Independence Education Center serving students with emotional disabilities. Other space is rented for alternative education programs. Many services provided by the Educational Service Center are provided within local school district facilities.

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 Northwest Ohio Educational Service Center as a financial whole, or as an entire operating entity.

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for spending in the near future. The fund financial statements also look at the Educational Service Center's most significant funds, with all other nonmajor funds presented in total in a single column. For Northwest Ohio Educational Service Center, the General Fund and the Title IV-B (Individual Disabilities Education Act Grant (IDEA-B)) special revenue fund are the most significant funds.

Reporting the Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2010. 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

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 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2010
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deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include facility conditions, required educational programs, and other factors.

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

Reporting the Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) 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 2010 and fiscal year 2009.

Table 1 Net Assets			
	2010	Governmental Activities 2009	Change
<u>Assets:</u>			
Current and Other Assets	\$9,275,040	\$9,100,419	\$174,621
Capital Assets, Net	1,129,738	744,045	385,693
Total Assets	10,404,778	9,844,464	560,314
			(continued)

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 1
Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,405,275	\$2,536,807	\$131,532
Long-Term Liabilities	1,071,913	1,107,015	35,102
Total Liabilities	<u>3,477,188</u>	<u>3,643,822</u>	<u>166,634</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	1,116,320	716,712	399,608
Restricted	1,340,999	422,107	918,892
Unrestricted	4,470,271	5,061,823	(591,552)
Total Net Assets	<u>\$6,927,590</u>	<u>\$6,200,642</u>	<u>\$726,948</u>

While the change in current and other assets from the prior fiscal year was not significant, there were several items of note. There was a decrease in cash and cash equivalents, in part, due to payments made relative to the building acquisition which was completed in September 2010. This decrease is also reflected in the decrease in unrestricted net assets. There was an increase in intergovernmental receivables of over \$1 million due to grant resources due to the Educational Service Center and resulting from resources obtained through the American Recovery and Reinvestment Act (ARRA). There is a corresponding increase in restricted net assets. The increase in net capital assets and invested in capital assets reflects various equipment and vehicle acquisitions during fiscal year 2010.

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$11,450,934	\$14,267,112	(\$2,816,178)
Operating Grants and Contributions	9,704,109	6,468,051	3,236,058
Total Program Revenues	<u>21,155,043</u>	<u>20,735,163</u>	<u>419,880</u>
General Revenues			
Grants and Entitlements	787,500	811,373	(23,873)
Interest	32,846	153,599	(120,753)
Miscellaneous	60,209	87,271	(27,062)
Total General Revenues	<u>880,555</u>	<u>1,052,243</u>	<u>(171,688)</u>
Total Revenues	<u>22,035,598</u>	<u>21,787,406</u>	<u>248,192</u>

(continued)

Northwest Ohio Educational Service Center
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2010
 Unaudited

Table 2
 Change in Net Assets
 (continued)

	Governmental Activities		
	2010	2009	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$954,867	\$937,911	(\$16,956)
Special	1,374,521	3,238,835	1,864,314
Adult/Continuing		2,970	2,970
Support Services:			
Pupils	4,681,506	4,947,072	265,566
Instructional Staff	7,278,181	7,177,073	(101,108)
Board of Education	91,003	80,802	(10,201)
Administration	627,934	871,220	243,286
Fiscal	417,977	385,045	(32,932)
Business	74,860	70,484	(4,376)
Operation and Maintenance of Plant	645,252	361,389	(283,863)
Pupil Transportation	178,888	106,423	(72,465)
Central	174,325	177,902	3,577
Non-Instructional Services	54,436	79,557	25,121
Intergovernmental	4,753,792	3,180,594	(1,573,198)
Interest and Fiscal Charges	1,108	1,824	716
Total Expenses	<u>21,308,650</u>	<u>21,619,101</u>	<u>310,451</u>
Increase in Net Assets	726,948	168,305	558,643
Net Assets at Beginning of Year	<u>6,200,642</u>	<u>6,032,337</u>	<u>168,305</u>
Net Assets at End of Year	<u>\$6,927,590</u>	<u>\$6,200,642</u>	<u>\$726,948</u>

Program revenues were 96 percent of total revenues for fiscal year 2010 (nearly the same as for fiscal year 2009) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 52 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 seventeen local, three exempted village, and three city school districts in Northwest Ohio, as well as some services to various other area school districts. Note the increase in operating grants and contributions in fiscal year 2010. This increase was due to additional grant resources obtained through the American Recovery and Reinvestment Act (ARRA). As a result, there was a very similar decrease in charges for services revenue.

The decrease in general revenues can generally be attributed to the sluggish economic conditions of the past year as the largest change is due to lower interest revenue. In total, however, revenues had a modest 1 percent increase for fiscal year 2010.

Overall, expenses increased less than 2 percent from the prior fiscal year. Program costs are charged to the school districts for services they contract with the Educational Service Center to provide. Costs are determined from the costs of personnel, fringe benefits, purchased services, supplies, equipment, etc. less any applicable revenue sources available to the Educational Service Center.

Regular instruction costs (4 percent of total expenses) include opportunity programs and suspension programs.

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 Unaudited

Special instruction activities include instruction of gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, emotional disturbed, cognitive and specific learning disabled, English as a second language, and preschool disabled children. The decrease in this program's expenses was also due to the additional ARRA grant resources received by the Educational Service Center. As these resources were passed through to the school districts served by the Educational Service Center, note there is an increase being reflected in intergovernmental expenses for this "passed through" portion.

Expenses for the services of nurses, school psychologists, speech therapists, attendance officer, social worker, adapted physical education instructors, occupational therapists, physical therapists, work-study coordinators, and a preschool coordinator represented 22 percent of overall expenses and are reflected as pupils support services.

Instructional staff support services were 34 percent of total expenses. These expenses include the costs of special education supervisors, general education consultants, gifted education coordinators, child information management specialists, and paraprofessionals (teacher aides).

Administration costs were 28 percent less in fiscal year 2010 mainly due to not replacing a deputy superintendent position when it became vacant.

The 78 percent increase in operation and maintenance of plant expenses reflect building rental costs for fiscal year 2010.

Pupil transportation expenses increased 68 percent. The Education Service Center also received additional ARRA grant resources which were spent as reimbursements to local school districts for pupil transportation purposes.

Intergovernmental expenses include the Individual Disabilities Education Act Grant (IDEA-B) and the Limited English Proficiency Grant (LEP). These are flow-through grant resources received and spent by the Educational Service Center on behalf of the school districts. These sources increased 49 percent in fiscal year 2010 due to additional ARRA grant resources.

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

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$954,867	\$937,911	(\$509,278)	(\$166,883)
Special	1,374,521	3,238,835	(4,785,816)	(3,813,124)
Adult/Continuing		2,970		

(continued)

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Support Services:				
Pupils	\$4,681,506	\$4,947,072	\$64,400	\$89,381
Instructional Staff	7,278,181	7,177,073	4,132,321	3,066,069
Board of Education	91,003	80,802	85,672	75,770
Administration	627,934	871,220	627,934	855,819
Fiscal	417,977	385,045	339,549	296,012
Business	74,860	70,484	74,860	70,484
Operation and Maintenance of Plant	645,252	361,389	570,852	259,013
Pupil Transportation	178,888	106,423	178,888	67,582
Central	174,325	177,902	130,342	109,544
Non-Instructional Services	54,436	79,557	36,275	1,146
Intergovernmental	4,753,792	3,180,594	(793,500)	(28,699)
Interest and Fiscal Charges	1,108	1,824	1,108	1,824
Total Expenses	<u>\$21,308,650</u>	<u>\$21,619,101</u>	<u>\$153,607</u>	<u>\$883,938</u>

As noted earlier, program revenues provide for 96 percent of the costs for providing services. Funding for gifted and preschool units are provided by the State based on the training and experience of the staff employed in those positions. These units have been and continue to be funded below actual costs. The remaining costs are covered by general revenues.

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

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance decreased almost 9 percent in the General Fund. There was a \$1.8 million decrease in revenues, generally in tuition and fees, and a \$1 million decrease in expenditures, generally in regular and special instruction. These reductions were related to the additional receipt of ARRA grant resources reflected in other funds.

In the prior fiscal year, all resources of the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) Fund had been spent. For fiscal year 2010, there was a carryover balance of approximately \$175,000 and due to American Recovery and Reinvestment Act monies.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Capital Assets

At June 30, 2010, the Educational Service Center had \$1,129,738 invested in capital assets (net of accumulated depreciation). For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

Current Issues

With the uncertainty of the economy, funding cuts could continue for the Educational Service Center as well as other school districts in Ohio. Funding cuts in Educational Service Center per pupil funding have been enacted and are continuing in fiscal year 2011.

Costs for services will increase with staff moving up the salary schedules and increased insurance costs as the Educational Service Center tries to maintain quality services with quality personnel. Additionally, educational programming expenses associated with services to this student population continue to increase. Since the Educational Service Center charges school districts for services based on costs, charges for services will increase in fiscal year 2011. As school districts experience reductions to their revenues they are looking for ways to cut expenses including services they receive from the Educational Service Center. Since the majority of services provided are mandated, school districts can look at providing the services themselves if they believe they have the capacity to provide the services themselves at a lower cost or with staff that would otherwise have been cut at their school districts to reduce overall costs.

Community Alternative Funding System (CAFS) is a program of Federal Medicaid reimbursements for services to Medicaid eligible students. These funds have been segregated within the General Fund based on the year to which the funding applies. CAFS continued to be available through fiscal year 2005 but have ceased to flow to all educational service centers under this program beginning with fiscal year 2006 claims. Individual school districts are now able to participate in a replacement program for CAFS, known as Ohio School Medicaid School Program. Many Educational Service Center special education support staff members are able to document services they provide which create Medicaid funding for the local school districts.

The Educational Service Center desires to operate as efficiently as possible therefore charging the client districts as little as possible including office space costs. With the receipt of unplanned CAFS funds, the Educational Service Center began to discuss office space concerns due to uncertainties of office space lease arrangements, including their short-term nature, quality of space, and costs.

The Educational Service Center Governing Board entered into a long-term rental agreement in July 2008 for office space in Archbold. Housing the Educational Service Center support and central staff has been an ongoing problem since the County Commissioners were relieved of providing space at no cost which was completely phased out in fiscal year 2007.

The four previous offices were vacated in late August 2009, with all staff moving to the new office building at that time. The office space lease provided for an option to purchase the facility at the end of each year of the lease after the first full year. That option was exercised and the building was purchased on September 1, 2010.

The Educational Service Center will continue with small renovations to the Independence Education Center building since the major issues have been addressed. Those costs will be much lower and charged to school districts as part of their program costs.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dorothy K. Pietrykowski, Chief Financial Officer, Northwest Ohio Educational Service Center, 205 Nolan Parkway, PO Box 250, Archbold, OH 43502-0250.

Northwest Ohio Educational Service Center
 Fulton County
 Statement of Net Assets
 June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,881,654
Accounts Receivable	16,543
Accrued Interest Receivable	1,140
Intergovernmental Receivable	1,362,270
Materials and Supplies Inventory	13,433
Nondepreciable Capital Assets	2,095
Depreciable Capital Assets, Net	1,127,643
Total Assets	10,404,778
 <u>Liabilities:</u>	
Accounts Payable	15,727
Accrued Wages and Benefits Payable	1,973,370
Matured Compensated Absences Payable	52,388
Intergovernmental Payable	363,790
Long-Term Liabilities:	
Due Within One Year	75,460
Due in More Than One Year	996,453
Total Liabilities	3,477,188
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,116,320
Restricted For:	
Migrant and OMEC	359,696
Other Purposes	981,303
Unrestricted	4,470,271
Total Net Assets	\$6,927,590

See Accompanying Notes to Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Statement of Activities
 For the Fiscal Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$954,867	\$372,424	\$1,091,721	\$509,278
Special	1,374,521	3,869,129	2,291,208	4,785,816
Support Services:				
Pupils	4,681,506	4,110,319	506,787	(64,400)
Instructional Staff	7,278,181	2,904,493	241,367	(4,132,321)
Board of Education	91,003	5,331		(85,672)
Administration	627,934			(627,934)
Fiscal	417,977	78,428		(339,549)
Business	74,860			(74,860)
Operation and Maintenance of Plant	645,252	74,400		(570,852)
Pupil Transportation	178,888			(178,888)
Central	174,325	36,410	7,573	(130,342)
Non-Instructional Services	54,436		18,161	(36,275)
Intergovernmental	4,753,792		5,547,292	793,500
Interest and Fiscal Charges	1,108			(1,108)
Total Governmental Activities	<u>\$21,308,650</u>	<u>\$11,450,934</u>	<u>\$9,704,109</u>	<u>(153,607)</u>

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	787,500
Interest	32,846
Miscellaneous	60,209
Total General Revenues	<u>880,555</u>
Change in Net Assets	726,948
Net Assets at Beginning of Year	<u>6,200,642</u>
Net Assets at End of Year	<u>\$6,927,590</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Balance Sheet
 Governmental Funds
 June 30, 2010

	General	Title VI-B	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,597,414	\$15,231	\$269,009	\$7,881,654
Accounts Receivable	16,543			16,543
Accrued Interest Receivable	1,140			1,140
Intergovernmental Receivable	26,886	767,852	567,532	1,362,270
Materials and Supplies Inventory	13,433			13,433
Total Assets	<u>\$7,655,416</u>	<u>\$783,083</u>	<u>\$836,541</u>	<u>\$9,275,040</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$2,080		\$13,647	\$15,727
Accrued Wages and Benefits Payable	1,901,414		71,956	1,973,370
Matured Compensated Absences Payable			52,388	52,388
Intergovernmental Payable	346,282		17,508	363,790
Deferred Revenue	11,875	\$607,621	198,366	817,862
Total Liabilities	<u>2,261,651</u>	<u>607,621</u>	<u>353,865</u>	<u>3,223,137</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	73,461	783,083	165,312	1,021,856
Unreserved, Designated for Termination Benefits			100,133	100,133
Unreserved, Reported in:				
General Fund	5,320,304			5,320,304
Special Revenue Funds (Deficit)		(607,621)	217,231	(390,390)
Total Fund Balances	<u>5,393,765</u>	<u>175,462</u>	<u>482,676</u>	<u>6,051,903</u>
Total Liabilities and Fund Balances	<u>\$7,655,416</u>	<u>\$783,083</u>	<u>\$836,541</u>	<u>\$9,275,040</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances		\$6,051,903
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		1,129,738
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	10,774	
Accrued Interest Receivable	683	
Intergovernmental Receivable	806,405	
		817,862
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Compensated Absences	(1,058,495)	
Capital Leases	(13,418)	
		(1,071,913)
Net Assets of Governmental Activities		\$6,927,590

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2010

	General	Title VI-B	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental	\$2,513,421	\$4,900,627	\$2,246,203	\$9,660,251
Interest	34,483			34,483
Tuition and Fees	15,280,632			15,280,632
Customer Services	333,675			333,675
Gifts and Donations	7,210		18,161	25,371
Miscellaneous	55,853			55,853
Total Revenues	<u>18,225,274</u>	<u>4,900,627</u>	<u>2,264,364</u>	<u>25,390,265</u>
Expenditures:				
Current:				
Instruction:				
Regular	266,438		722,967	989,405
Special	5,396,645		174,951	5,571,596
Support Services:				
Pupils	4,679,402		105,862	4,785,264
Instructional Staff	6,268,771		1,058,326	7,327,097
Board of Education	91,003			91,003
Administration	637,862		34,667	672,529
Fiscal	367,008		78,426	445,434
Business	73,651			73,651
Operation and Maintenance of Plant	585,800		45,360	631,160
Pupil Transportation	50,577		115,202	165,779
Central	211,511		63,165	274,676
Non-Instructional Services			50,309	50,309
Capital Outlay	44,149			44,149
Intergovernmental		4,725,165	28,627	4,753,792
Debt Service:				
Principal Retirement	13,915			13,915
Interest and Fiscal Charges	1,108			1,108
Total Expenditures	<u>18,687,840</u>	<u>4,725,165</u>	<u>2,477,862</u>	<u>25,890,867</u>
Excess of Revenues Over (Under) Expenditures	<u>(462,566)</u>	<u>175,462</u>	<u>(213,498)</u>	<u>(500,602)</u>
Other Financing Sources (Uses):				
Transfers In			58,962	58,962
Transfers Out	(58,962)			(58,962)
Total Other Financing Sources (Uses)	<u>(58,962)</u>		<u>58,962</u>	
Changes in Fund Balances	(521,528)	175,462	(154,536)	(500,602)
Fund Balances at Beginning of Year	<u>5,915,293</u>		<u>637,212</u>	<u>6,552,505</u>
Fund Balances at End of Year	<u>\$5,393,765</u>	<u>\$175,462</u>	<u>\$482,676</u>	<u>\$6,051,903</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton 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, 2010

Changes in Fund Balances - Total Governmental Funds (\$500,602)

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 capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay	517,999	
Depreciation	<u>(123,301)</u>	
		394,698

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. (9,005)

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

Intergovernmental	805,987	
Interest	(1,637)	
Tuition and Fees	(2,342)	
Customer Services	391	
Miscellaneous	<u>4,356</u>	
		806,755

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 13,915

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. 21,187

Change in Net Assets of Governmental Activities \$726,948

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Fulton County
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$62,728</u></u>
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Liabilities:

Intergovernmental Payable	<u><u>\$62,728</u></u>
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See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Reporting Entity

Northwest Ohio Educational Service Center (the "Educational Service Center") is located in Archbold, Ohio, in Fulton County. The Educational Service Center supplies supervisory, special education, administrative, and other services to seventeen local, three exempted village, and three city school districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Governing Board elected from subdistricts within the four county area (Defiance, Fulton, Henry, and Williams counties). The Board consists of nine members elected for staggered four year terms. The Educational Service Center has twenty-four administrators, two hundred fifty classified employees, and two hundred eighty-six 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 the Northwest Ohio Educational Service Center, this consists of general operations.

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

The Educational Service Center participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Educational Service Center that are governmental activities (primarily supported by 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 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 Title VI-B special revenue fund.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Title VI-B Fund - The Title VI-B Fund is used to account for grant resources received through the Ohio Department of Education which provide support for educating handicapped students. Some of these resources are also passed through or spent on behalf of the local, exempted village, and city school districts served by the Educational Service Center.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center did not have any trust funds in fiscal year 2010. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's agency fund accounts for various payroll related deductions.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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 2010, investments included federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current share 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, 2010.

Note 2 - Summary of Significant Accounting Policies (continued)

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$34,483, which includes \$3,530 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. Inventory

Inventory is stated at cost on a first-in first-out basis and is expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

G. Capital Assets

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

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

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

Description	Useful Lives
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	8 years

H. Compensated Absences

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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. Capital leases are recognized as liabilities on the fund financial statements when due.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. 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. Restricted net assets represent federal and state grants. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves and Designations

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.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation within the special revenue fund represents monies set aside by the Board for the future payment of termination benefits.

L. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has 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 2010, these funds included the Title VI-B (Individual Disabilities Education Act) Early Childhood Special Education, and Limited English Proficiency special revenue funds.

Note 2 - Summary of Significant Accounting Policies (continued)

M. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

N. 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 - Changes in Accounting Principles

For fiscal year 2010, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

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. Bankers' acceptances and commercial paper 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.

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 4 - Deposits and Investments (continued)

Investments

As of June 30, 2010, the Educational Service Center had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$179,982	2/25/11
Federal Home Loan Bank Notes	220,000	5/18/11
Federal Home Loan Bank Notes	199,980	6/7/11
Federal Home Loan Bank Notes	309,907	10/26/11
Federal Home Loan Bank Notes	260,000	11/25/11
Federal Home Loan Mortgage Corporation Notes	398,275	6/20/11
Federal Home Loan Mortgage Corporation Notes	249,820	9/19/11
Federal Home Loan Mortgage Corporation Notes	114,989	5/4/12
Federal National Mortgage Association Notes	228,782	7/16/10
Federal National Mortgage Association Notes	200,000	2/23/12
Mutual Funds	8,354	42 days average
STAR Ohio	50,508	56 days average
Total Investments	<u>\$2,420,597</u>	

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

All of the federal agency securities and mutual funds 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 mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The Educational Service Center limits the amount it may invest in any one issuer to no more than 80 percent of its total investment portfolio. The following table indicates the percentage of investments to the Educational Service Center's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$1,169,869	48.3%
Federal Home Loan Mortgage Corporation	763,084	31.5
Federal National Mortgage Association	428,782	17.7

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

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2010

Note 5 - State Funding (continued)

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 \$40.52 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the Educational Service Center an amount equal to \$6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

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

Note 6 - Receivables

Receivables at June 30, 2010, consisted of accounts, accrued interest, and intergovernmental receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Program Costs	\$427
Various School Districts	9,072
Miscellaneous	17,387
Total General Fund	26,886
Title IV-B Fund	767,852
Total Major Funds	794,738
Other Governmental Funds	
Miscellaneous State Grants	7,544
Migrant and OMEC	414,872
Preschool Disabilities	125,726
Miscellaneous Federal Grants	19,390
Total Other Governmental Funds	567,532
Total Intergovernmental Receivables	\$1,362,270

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$2,095			\$2,095
Depreciable Capital Assets				
Land Improvements	39,404			39,404
Buildings and Building Improvements	601,660		\$(1,586)	600,074
Furniture, Fixtures, and Equipment	968,076	\$460,021	(270,141)	1,157,956
Vehicles	155,769	57,978		213,747
Total Depreciable Capital Assets	1,764,909	517,999	(271,727)	2,011,181
Less Accumulated Depreciation	(\$8,448)	(\$1,970)		(\$10,418)
Land Improvements	(180,866)	(23,572)	\$999	(203,439)
Buildings and Building Improvements	(740,654)	(81,283)	261,723	(560,214)
Furniture, Fixtures, and Equipment	(92,991)	(16,476)		(109,467)
Vehicles	(1,022,959)	(123,301)	262,722	(883,538)
Total Accumulated Depreciation	741,950	394,698	(9,005)	1,127,643
Depreciable Capital Assets, Net	<u>\$744,045</u>	<u>\$394,698</u>	<u>(\$9,005)</u>	<u>\$1,129,738</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,992
Special	25,213
Support Services:	
Pupils	9,946
Instructional Staff	14,336
Administration	22,813
Fiscal	2,614
Business	1,135
Operation and Maintenance of Plant	24,123
Pupil Transportation	12,969
Central	7,579
Noninstructional Services	581
Total Depreciation Expense	<u>\$123,301</u>

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - 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 2010, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by the Governmental Underwriters of America

General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Excess Liability	2,000,000
Auto Coverage	
Liability	1,000,000
Uninsured Motorist	1,000,000
Commercial Property	5,192,100

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.

The Educational Service Center participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Educational Service Center pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The Educational Service Center participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 9 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$1,180,689, \$1,291,251, and \$1,297,316 respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$30,285 made by the Educational Service Center and \$21,632 made by the plan members.

B. School Employees Retirement System

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

Note 9 - Defined Benefit Pension Plans (continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$579,986, \$422,228, and \$423,624 respectively; 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$93,152, \$100,642, and \$101,641 respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's,

Note 10 - Postemployment Benefits (continued)

PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$68,628.

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

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$20,876, \$193,231, and \$193,313 respectively; 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$34,491, \$34,837, and \$30,523 respectively; 89 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from Board policy 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 superintendents 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 one hundred eighty-five days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-six and one-fourth days for all employees.

B. Health Care Benefits

The Educational Service Center participates in the Northern Buckeye Education Council Employee Insurance Benefits Program. Through this program, the Educational Service Center offers medical, dental, and life insurance benefits. Depending upon the coverage selected, the employees share the cost of the monthly premium with the Board.

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2010

Note 12 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$1,079,682	\$42,657	\$63,844	\$1,058,495	\$62,042
Capital Leases	27,333		13,915	13,418	13,418
Total Governmental Activities	<u>\$1,107,015</u>	<u>\$42,657</u>	<u>\$77,759</u>	<u>\$1,071,913</u>	<u>\$75,460</u>

Compensated absences will be paid from the Termination Benefits special revenue fund. Capital leases will be paid from the General Fund.

Note 13 - Capital Leases - Lessee Disclosure

The Educational Service Center entered into capital leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances. Principal payments in 2010 were \$13,915.

	Governmental Activities
Property under Capital Lease	\$65,900
Less Accumulated Depreciation	(54,917)
Total June 30, 2010	<u>\$10,983</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year	Principal	Interest
2011	<u>\$13,418</u>	<u>\$352</u>

Note 14 - Interfund Transfers

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$58,962, to subsidize operations of other funds and to set aside resources for the future payment of termination benefits.

Note 15 - Jointly Governed Organizations

A. 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 the 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 2010, the Educational Service Center paid \$29,486 to NWOCA for various services. Financial information can be obtained from NWOCA, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

The Four County 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 five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The degree of control exercised by the Educational Service Center is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 16 - Insurance Pools

A. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Notes 17 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2010.

B. Litigation

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

Notes 18 - Significant Subsequent Events

On September 1, 2010, the Educational Service Center exercised a purchase option for \$5,771,938, as set forth in the amended Lease Agreement between the Educational Service Center and Lugbill Bros, Inc., for the acquisition of the administration building and land.

Also, on September 1, 2010, the Educational Service Center issued a promissory note for \$1,258,000 to assist in financing the purchase of the administration building and land. The note matures on September 1, 2018, and has a fixed interest rate of 3.42 percent until September 1, 2015, and a variable rate thereafter.

Northwest Ohio Educational Service Center
 Fulton 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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental			\$2,499,934	
Interest			42,999	
Tuition and Fees			15,398,223	
Customer Services			326,860	
Gifts and Donations			7,210	
Miscellaneous			51,398	
Total Revenues			<u>18,326,624</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$416,132	\$399,297	320,987	\$78,310
Special	5,637,138	5,694,765	5,511,561	183,204
Support Services:				
Pupils	5,029,434	4,834,844	4,700,868	133,976
Instructional Staff	6,448,102	6,437,219	6,316,894	120,325
Board of Education	104,159	104,919	93,448	11,471
Administration	690,241	676,907	646,180	30,727
Fiscal	390,878	391,490	365,065	26,425
Business	83,576	83,080	75,057	8,023
Operation and Maintenance of Plant	1,114,915	724,603	599,671	124,932
Pupil Transportation	49,754	59,055	53,545	5,510
Central	273,328	239,066	227,920	11,146
Capital Outlay	397,259	1,446,171	66,188	1,379,983
Total Expenditures	<u>20,634,916</u>	<u>21,091,416</u>	<u>18,977,384</u>	<u>2,114,032</u>
Excess of Revenues Under Expenditures	<u>(20,634,916)</u>	<u>(21,091,416)</u>	<u>(650,760)</u>	<u>20,440,656</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures			4,041	4,041
Refund of Prior Year Receipts	(360,700)	(1,000)		1,000
Advances Out	(25,000)	(25,000)		25,000
Transfers Out	(60,000)	(60,000)	(58,962)	1,038
Total Other Financing Sources (Uses)	<u>(445,700)</u>	<u>(86,000)</u>	<u>(54,921)</u>	<u>31,079</u>
Changes in Fund Balance	(21,080,616)	(21,177,416)	(705,681)	20,471,735
Fund Balance at Beginning of Year	7,757,942	7,757,942	7,757,942	
Prior Year Encumbrances Appropriated	467,109	467,109	467,109	
Fund Balance at End of Year			<u>\$7,519,370</u>	<u>\$20,471,735</u>

See Accompanying Notes to the Supplemental Section

Northwest Ohio Educational Service Center
 Fulton County
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 Title VI-B Fund
 For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			<u>\$4,740,396</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	\$5,508,248	\$4,993,892	4,993,892	
Support Services:				
Pupil Transportation		456,865	456,865	
Non-Instructional Services		57,491	57,491	
Total Expenditures	<u>5,508,248</u>	<u>5,508,248</u>	<u>5,508,248</u>	
Changes in Fund Balance	(5,508,248)	(5,508,248)	(767,852)	\$4,740,396
Fund Balance at Beginning of Year				
Prior Year Encumbrances Appropriated				
Fund Balance at End of Year			<u>(\$767,852)</u>	<u>\$4,740,396</u>

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

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

The Educational Service Center's Board does not budget for resources estimated to be received during the fiscal year.

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, function, and object level within the General Fund and the fund level for all other funds. The Chief Fiscal Officer has been authorized to allocate appropriations to the function and object level within all other funds.

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

Note 2 - Budgetary Basis of Accounting

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

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

Northwest Ohio Educational Service Center
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2010

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 Fund	Title VI-B Fund
GAAP Basis	(\$521,528)	\$175,462
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2009, Received in Cash FY 2010	131,876	
Accrued FY 2010, Not Yet Received in Cash	(32,694)	(160,231)
Expenditure Accruals:		
Accrued FY 2009, Paid in Cash FY 2010	(2,461,042)	
Accrued FY 2010, Not Yet Paid in Cash	2,249,776	
Unrecorded Cash Activity 2009	8,091	
Unrecorded Cash Activity 2010	(1,882)	
Materials and Supplies Inventory	(2,116)	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(76,162)	(783,083)
Budget Basis	(\$705,681)	(\$767,852)

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Migrant Education State Grant Program	84.011	\$742,796	\$893,969
Special Education Cluster:			
Special Education Grants to States	84.027	2,697,151	2,697,151
Special Education Preschool Grants	84.173	133,860	133,860
ARRA Special Education Grants to States	84.391	2,043,245	2,028,014
ARRA Special Education Preschool Grants	84.392	26,270	25,703
Total Special Education Cluster		<u>4,900,526</u>	<u>4,884,728</u>
Migrant Education Coordination Program	84.144	48,288	88,298
Javitis Gifted and Talented Students Education Grant Program	84.206		3,000
Twenty-First Century Community Learning Centers	84.287	889,848	857,810
English Language Acquisition Grants	84.365	39,044	39,278
School Improvement Grants	84.377	<u>3,400</u>	<u>3,400</u>
Total U.S. Department of Education		<u>6,623,902</u>	<u>6,770,483</u>
Total		<u><u>\$6,623,902</u></u>	<u><u>\$6,770,483</u></u>

The accompanying notes are an integral part of this schedule.

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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Dave Yost • Auditor of State

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

Northwest Ohio Educational Service Center
Fulton County
P.O. Box 250
Archbold, Ohio 43502-0250

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County (the Educational Service Center) as of and for the year ended June 30, 2010, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated February 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

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

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

Dave Yost
Auditor of State

February 23, 2011



Dave Yost • Auditor of State

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

Northwest Ohio Educational Service Center
Fulton County
P.O. Box 250
Archbold, Ohio 43502-0250

To the Governing Board:

Compliance

We have audited the compliance of Northwest Ohio Educational Service Center, Fulton County, Ohio (the Educational Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Educational Service Center's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Educational Service Center's major federal programs. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Educational Service Center's compliance based on our audit.

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

In our opinion, the Northwest Ohio Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

February 23, 2011

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA 84.027/84.173/84.391/84.392 Century 21 Grant CFDA 84.287
<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**

Finding for Recovery Repaid Under Audit

<i>Finding Number</i>	2010-001
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State ex re. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides expenditures made by a governmental unit should serve a public purpose. Typically, a determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates it must be memorialized by a duly enacted ordinance and may have a prospective effect only.

Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper “Public Purpose” states governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria which demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states it will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Eugene Rupp submitted travel reimbursements forms totaling \$538.73 to the Treasurer's Office for payment. Due to a clerical error, \$820.61 was paid to Mr. Rupp resulting in an overpayment of \$281.88.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Eugene Rupp, Grant Administrator in the amount of \$281, and in favor of the Educational Service Center's General Fund. This finding was repaid on January 12, 2011.

Officials’ Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

NORTHWEST OHIO EDUCATIONAL SERVICE CENTER

FULTON 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
MARCH 15, 2011**