



Dave Yost • Auditor of State

**MEDINA COUNTY SCHOOLS' EDUCATIONAL SERVICE CENTER
MEDINA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Fiduciary Net Position – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund.....	17
Notes to the Basic Financial Statements	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Medina County Schools' Educational Service Center
Medina County
124 West Washington Street
Medina, Ohio 44256

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Medina County Schools' Educational Service Center, Medina County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Educational Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Educational Service Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Medina County Schools' Educational Service Center, Medina County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2014, the Educational Service restated its Governmental Activities' net position and General Fund's fund balance due to certain agency fund reclassifications. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2016

Medina County Schools' Educational Service Center

Medina County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The discussion and analysis of the Medina County Schools' Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Educational Service Center's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position increased \$138,515, which represents a 13 percent increase from 2013.
- Capital assets decreased \$91 during fiscal year 2014.
- Revenues for governmental activities totaled \$6.0 million in 2014. Of this total, 19 percent consisted of general revenues while program revenues accounted for the balance of 81 percent.
- Program expenses totaled \$5.9 million. Instructional expenses made up 23 percent of this total while support services accounted for 76 percent. Other expenses totaled less than 1 percent.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Educational Service Center as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and 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 the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Educational Service Center, the general fund is by far the most significant fund.

Reporting the Educational Service Center as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources (except fiduciary funds) using the accrual basis of accounting similar to the accounting used by most

Medina County Schools' Educational Service Center

Medina County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

(Unaudited)

private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net position and changes in net position. This change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the Educational Service Center's programs and services, including instruction, support services, extracurricular activities, and non-instructional services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 12. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's only major governmental fund is the general fund.

Governmental Funds Most of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the Educational Service Center's Fiduciary Responsibilities

The Educational Service Center is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The Educational Service Center also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The Educational Service Center's fiduciary activities are reported in separate Statements of Fiduciary Net position and Changes in Fiduciary Net position on pages 16 and 17. These activities are excluded from the Educational Service Center's other financial statements because the assets cannot be utilized by the Educational Service Center to finance its operations.

Medina County Schools' Educational Service Center
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The Educational Service Center as a Whole

Recall that the Statement of Net position provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position for 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities	
	2014	Restated 2013
Assets		
Current and Other Assets	\$ 1,738,515	\$ 1,971,972
Capital Assets	131,428	131,519
<i>Total Assets</i>	1,869,943	2,103,491
Liabilities		
Other Liabilities	592,577	964,179
Long-Term Liabilities	113,048	113,509
<i>Total Liabilities</i>	705,625	1,077,688
Net Position		
Invested in Capital Assets	131,428	131,519
Restricted	108,802	113,910
Unrestricted	924,088	780,374
<i>Total Net Position</i>	\$ 1,164,318	\$ 1,025,803

At year end, capital assets represented 7 percent of total assets. Capital assets include furniture, fixtures, equipment and vehicles. Net investment in capital assets was \$131,428 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending.

A portion of the Educational Service Center's net position, \$108,802 or 9 percent represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$924,088 may be used to meet the Educational Service Center's ongoing obligations to students and creditors.

In 2014, current and other assets decreased \$233,457 primarily as a result of a decrease in cash due to the timing of revenues to cover expenditures. Liabilities decreased \$372,063, mainly in unearned revenue from the fluctuations in balances on hand for services not yet provided for the individual districts. Net position showed an increase of \$138,515 from fiscal year 2013.

Medina County Schools' Educational Service Center
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 4,778,454	\$ 3,512,957
Operating Grants	123,878	120,229
<i>Total Program Revenues</i>	<u>4,902,332</u>	<u>3,633,186</u>
<i>General Revenues:</i>		
Grants and Entitlements Not Restricted	1,108,567	1,260,220
Other	14,483	9,057
<i>Total General Revenues</i>	<u>1,123,050</u>	<u>1,269,277</u>
<i>Total Revenues</i>	<u>6,025,382</u>	<u>4,902,463</u>
Program Expenses		
Instruction:		
Regular	823,111	799,400
Special	384,446	95,939
Adult/Continuing	193,905	214,817
Other	1,105	757
Support Services:		
Pupils	1,184,344	433,922
Instructional Staff	2,052,976	1,916,503
Board of Governors	38,502	43,368
Administration	335,530	271,307
Fiscal	244,775	233,800
Business	152,882	196,958
Pupil Transportation	260,239	192,403
Central	192,243	161,603
Operation of Non-Instructional Services	141	556
Extracurricular Activities	22,668	12,829
<i>Total Expenses</i>	<u>5,886,867</u>	<u>4,574,162</u>
<i>Increase (Decrease) in Net Position</i>	138,515	328,301
<i>Net Position at Beginning of Year</i>	1,025,803	799,723
<i>Restatement for Fund Classification</i>	0	(102,221)
<i>Net Position at End of Year</i>	<u>\$ 1,164,318</u>	<u>\$ 1,025,803</u>

Medina County Schools' Educational Service Center

Medina County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

(Unaudited)

The net change to revenues and expenses due to the fund reclassification was not material and was not reflected in table 2 and 3.

Charges for services from member districts increased \$1.3 million due to the changes in accounting and recording of transactions and services with member districts resulting in a reclassification of various agency funds to governmental. In addition, grants and entitlements not restricted decreased \$151,653 due to a decrease in foundation revenue. Program expenses increased \$1.3 million, mainly in special instruction and pupil support due to the fund reclassification.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 823,111	\$ 799,400	\$ 134,874	\$ 168,075
Special	384,446	95,939	66,296	19,366
Adult/Continuing	193,905	214,817	40,315	10,897
Other	1,105	757	78	757
Support Services:				
Pupils	1,184,344	433,922	213,432	93,971
Instructional Staff	2,052,976	1,916,503	334,095	391,949
Board of Governors	38,502	43,368	6,646	9,331
Administration	335,530	271,307	58,692	58,111
Fiscal	244,775	233,800	39,036	52,327
Business	152,882	196,958	25,347	44,410
Pupil Transportation	260,239	192,403	27,331	53,774
Central	192,243	161,603	34,495	35,154
Operation of Non-Instructional Services	141	556	(15)	115
Extracurricular Activities	22,668	12,829	3,913	2,739
<i>Total Expenses</i>	<u>\$ 5,886,867</u>	<u>\$ 4,574,162</u>	<u>\$ 984,535</u>	<u>\$ 940,976</u>

The dependence upon general revenues for governmental activities is apparent. Nearly 19 percent of governmental activities are supported through general revenues.

Governmental Funds

Information about the Educational Service Center's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6.0 million and expenditures of \$5.9 million for fiscal year 2014.

Medina County Schools' Educational Service Center
Medina County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The governmental fund's net change in fund balance for fiscal year 2014 was an increase of \$138,145. The most significant change within the Educational Service Center was reported in the general fund with an increase in fund balance of \$143,253 for similar reasons previously discussed.

Capital Assets

Capital Assets

At the end of fiscal year 2014, the Educational Service Center had \$131,428 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2014	2013
Furniture, Fixtures and Equipment	\$ 64,061	\$ 82,600
Vehicles	67,367	48,919
<i>Totals</i>	\$ 131,428	\$ 131,519

The \$91 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the Educational Service Center.

Current Issues

Medina County Educational Service Center is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

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 show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer at Medina County Educational Service Center, 124 W. Washington St., Medina, Ohio 44256 or call 330-723-6393.

BASIC FINANCIAL STATEMENTS

Medina County Schools' Educational Service Center
Medina County, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 1,613,377
Receivables:	
Accounts	125,138
Depreciable Capital Assets (Net)	131,428
<i>Total Assets</i>	1,869,943
Liabilities	
Accounts Payable	20,451
Accrued Wages and Benefits	142,415
Intergovernmental Payable	60,233
Unearned Revenue	369,478
Long Term Liabilities:	
Due Within One Year	46,988
Due In More Than One Year	66,060
<i>Total Liabilities</i>	705,625
Net Position	
Net Investment in Capital Assets	131,428
Restricted For:	
Other Purposes	108,802
Unrestricted	924,088
<i>Total Net Position</i>	\$ 1,164,318

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 823,111	\$ 681,691	\$ 6,546	\$ (134,874)
Special	384,446	318,150	0	(66,296)
Adult/Continuing	193,905	49,421	104,169	(40,315)
Other	1,105	330	697	(78)
Support Services:				
Pupils	1,184,344	958,536	12,376	(213,432)
Instructional Staff	2,052,976	1,718,871	10	(334,095)
Board of Governors	38,502	31,856	0	(6,646)
Administration	335,530	276,838	0	(58,692)
Fiscal	244,775	205,739	0	(39,036)
Business	152,882	127,535	0	(25,347)
Pupil Transportation	260,239	232,908	0	(27,331)
Central	192,243	157,748	0	(34,495)
Operation of Non-Instructional Services	141	76	80	15
Extracurricular Activities	22,668	18,755	0	(3,913)
Total	\$ 5,886,867	\$ 4,778,454	\$ 123,878	(984,535)
General Revenues				
Grants and Entitlements Not Restricted to Specific Programs				1,108,567
Investment Earnings				8,097
Miscellaneous				6,386
Total General Revenues				1,123,050
Change in Net Position				138,515
Net Position Beginning of Year, Restated (See Note 2 P)				1,025,803
Net Position End of Year				\$ 1,164,318

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 1,503,276	\$ 110,101	\$ 1,613,377
Receivables:			
Accounts	123,153	1,985	125,138
<i>Total Assets</i>	<u>\$ 1,626,429</u>	<u>\$ 112,086</u>	<u>\$ 1,738,515</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 17,610	\$ 2,841	\$ 20,451
Accrued Wages and Benefits	142,415	0	142,415
Intergovernmental Payable	59,790	443	60,233
Unearned Revenue	369,478	0	369,478
<i>Total Liabilities</i>	<u>589,293</u>	<u>3,284</u>	<u>592,577</u>
Fund Balances			
Restricted	0	108,802	108,802
Assigned	311,890	0	311,890
Unassigned	725,246	0	725,246
<i>Total Fund Balances</i>	<u>1,037,136</u>	<u>108,802</u>	<u>1,145,938</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,626,429</u>	<u>\$ 112,086</u>	<u>\$ 1,738,515</u>

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances	\$ 1,145,938
 <i>Amounts reported for governmental activities in the</i> <i>statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	131,428
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Compensated Absences	<u>(113,048)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 1,164,318</u>

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	\$ 1,108,568	\$ 104,866	\$ 1,213,434
Investment Income	8,097	0	8,097
Tuition and Fees	34,668	0	34,668
Customer Sales and Services	4,675,730	68,057	4,743,787
Gifts and Donations	0	19,012	19,012
Miscellaneous	3,634	2,750	6,384
<i>Total Revenues</i>	<u>5,830,697</u>	<u>194,685</u>	<u>6,025,382</u>
Expenditures			
Current:			
Instruction:			
Regular	816,287	11,590	827,877
Special	384,522	0	384,522
Adult/Continuing	0	164,800	164,800
Other	0	1,105	1,105
Support Services:			
Pupils	1,144,712	22,271	1,166,983
Instructional Staff	2,072,998	19	2,073,017
Board of Governors	38,502	0	38,502
Administration	334,592	0	334,592
Fiscal	248,660	0	248,660
Business	154,004	0	154,004
Pupil Transportation	280,876	0	280,876
Central	158,295	0	158,295
Extracurricular Activities	22,668	0	22,668
Operation of Non-Instructional Services	31,195	141	31,336
<i>Total Expenditures</i>	<u>5,687,311</u>	<u>199,926</u>	<u>5,887,237</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>143,386</u>	<u>(5,241)</u>	<u>138,145</u>
Other Financing Sources (Uses)			
Transfers In	0	133	133
Transfers Out	(133)	0	(133)
<i>Total Other Financing Sources (Uses)</i>	<u>(133)</u>	<u>133</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	143,253	(5,108)	138,145
<i>Fund Balances Beginning of Year, Restated (See Note 2 P)</i>	<u>893,883</u>	<u>113,910</u>	<u>1,007,793</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,037,136</u>	<u>\$ 108,802</u>	<u>\$ 1,145,938</u>

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$ 138,145

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Asset Additions	\$ 64,794	
Current Year Depreciation	(61,610)	3,184

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (3,275)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		461
----------------------	--	-----

Change in Net Position of Governmental Activities \$ 138,515

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Investments	\$ 110,391	\$ 485
Liabilities		
Accounts Payable		\$ 52
Undistributed Monies		433
<i>Total Liabilities</i>		\$ 485
Net Position		
Held in Trust for Scholarships	\$ 110,391	

See accompanying notes to the basic financial statements.

Medina County Schools' Educational Service Center
Medina County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 665
Deductions	
Payments in Accordance with Trust Agreements	3,339
<i>Change in Net Position</i>	(2,674)
<i>Net Position Beginning of Year</i>	113,065
<i>Net Position End of Year</i>	\$ 110,391

See accompanying notes to the basic financial statements.

This page intentionally left blank

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Note 1 – Nature of Basic Operations and Description of the Entity

The Medina County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 18, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological and other needed services to all the school districts in Medina County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

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 if 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. The Educational Service Center has no component units.

The Educational Service Center is associated with the Northeast Ohio Network for Educational Technology (NEOnet) which is defined as a Jointly Governed Organization, the Northcoast Shared Services Alliance, a Jointly Governed Organization with the Educational Service Center of Cuyahoga County and the Educational Service Center of Lorain County for substitute services, the Sheakley Uniservice, Inc's Workers' Compensation Group Rating Program which is defined as an Insurance Purchasing Pool, and the Stark County Schools Council of Governments which is defined as a Risk Sharing Pool. Each of these is presented in Note 7 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the most significant of the Educational Service Center's accounting policies.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

A. Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements During the 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 year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Educational Service Center are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Educational Service Center's only major governmental fund:

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

General Fund The general fund accounts 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.

The other governmental funds of the Educational Service Center account for grants and other resources to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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 therefore not available to support the Educational Service Center's own programs. The Educational Service Center has one private purpose trust fund which is used to account for scholarships. 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 resources held on behalf of employees.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus and is excluded from the governmental activities. All assets and liabilities associated with the operation of this fund are included on the statement of fiduciary net position. The statement of changes in fiduciary net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Agency funds do not report a measurement focus as they do not report operations.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that 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 the fiscal year-end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements and donations. 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 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: grants, investment earnings, tuition, customer services and charges for services, and fees.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of assets by the Educational Service Center that is applicable to a future reporting period.

A deferred outflow of resources is a consumption of assets by the Educational Service Center that is applicable to a future reporting period.

Revenues received in advance of the year for which they were intended to finance have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Medina County Schools' Educational Service Center

Medina County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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. Budgetary Data

Although not legally required, the Educational Service Center adopts a budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Educational Service Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service Center was discretionary, the Educational Service Center continued to have its Board approve appropriations and estimated revenues. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board. Throughout the year, estimated resources and appropriations may be amended or supplemented as circumstances warrant.

F. Cash and Investments

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

During fiscal year 2014, investments were limited to U.S. Federal Government Agencies, certificates of deposit and STAR Ohio, (the State Treasurer's Investment Pool). Except for investment contracts that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The Educational Service Center invested funds in STAR Ohio during 2014. 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, 2014.

Following Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$8,097 which includes \$1,008 assigned from other Educational Service Center funds.

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as "Equity in Pooled Cash and Investments." Investments with an original maturity of more than three months are reported as "Investments."

G. Capital Assets

The Educational Service Center's capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of \$500. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress (when applicable) are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 10 Years
Vehicles	5 Years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables." These amounts are eliminated in the governmental activities column of the statement of net position.

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in 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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

K. Interfund Activity

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.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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. At June 30, 2014, there was no net position restricted by enabling legislation.

The Educational Service Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Educational Service Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Educational Service Center Governing Board. The Educational Service Center Governing Board has, by resolution, authorized the Treasurer to assign fund balance. The Educational Service Center Governing Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

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.

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

O. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

P. Restatement of Fund Balance/Net Position

It was determined that certain funds previously recorded as agency funds would be more accurately classified as general fund. The following is the change in fund balance and net position:

	General Fund	Governmental Activities
Previously Reported Fund Balance/Net Position	\$ 965,914	\$ 1,128,024
Fund Reclassification	(72,031)	(102,221)
Restated Fund Balance/Net Position July 1, 2014	\$ 893,883	\$ 1,025,803

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 – Fund Balance

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

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

	General	Other Governmental Funds	Total
Restricted for:			
Training	\$ 0	\$ 94,989	\$ 94,989
Other Purposes	0	13,813	13,813
Total Restricted	0	108,802	108,802
Assigned for:			
Encumbrances:			
Support Services	22,691	0	22,691
Service Program Fees	289,199	0	289,199
Total Assigned	311,890	0	311,890
Unassigned	725,246	0	725,246
Total Fund Balance (Deficit)	\$ 1,037,136	\$ 108,802	\$ 1,145,938

Note 4 - Deposits and Investments

State statutes classify monies held by the Educational Service Center into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 that the Board of Governors has identified as not required for use within the current two 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.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Protection of Educational Service Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in these divisions are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of Educational Service Center cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. These securities, held by the counterparty and not in the Educational Service Center's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The Educational Service Center's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Deposits: The carrying value of the Educational Service Center's deposits totaled \$1,312,592 and the bank balances of the deposits totaled \$1,378,201. \$446,270 of the bank balance was covered by federal depository insurance and \$931,931 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2014, the Educational Service Center had the following investments:

Standard & Poor Rating		Fair Value	Investment Maturities (in months)		% Total Investment
			0 - 6	36 - 60	
AAAm	STAROhio	\$ 113,793	\$113,793	\$ 0	27.64%
AA+	Federal Home Loan Bank	100,044	0	100,044	24.30%
AA+	Federal National Mortgage	197,824	0	197,824	48.06%
	Totals	<u>\$ 411,661</u>	<u>\$ 113,793</u>	<u>\$ 297,868</u>	<u>100.00%</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Educational Service Center's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the Educational Service Center.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2014, is 51 days.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Credit Risk: The Educational Service Center's investments at June 30, 2014 in STAR Ohio is rated AAAM by Standard & Poor's and the Federal Home Loan Bank Federal National Mortgage are rated AA+ by Standard and Poor's.

Concentration of Credit Risk: The Educational Service Center places no limit on the amount the Educational Service Center may invest in any one issuer. More than 5% of the Educational Service Center's investments are in STAR Ohio, Federal Home Loan Bank and Federal National Mortgage as listed above.

Note 5 - Receivables

Receivables at June 30, 2014, consisted of accounts (charges for services). All receivables are considered collectible within one year and in full.

Note 6 – State Funding

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$36.74 for each of the 27,250 students who are provided services. The \$36.74 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school districts to which the Educational Service Center provides services. These payments are received through the State's foundation program. Simultaneously, \$30.24 times the ADM is paid by the State Board of Education from State funds.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$36.74 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the State foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

Note 7 – Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEOnet) is a consortium of school districts which have voluntarily formed in order to provide for the schools common needs. NEOnet is 1 of 23 sites in the Ohio Education Computer Network providing computer services to schools in their respective geographic areas. NEOnet serves educational service centers and school districts primarily in Summit, Medina and Portage Counties. The governance of NEOnet is controlled by an Assembly, Board of Directors and several subcommittees. The Agreement explains the role of each group and the methods used to make decisions. The Security Policy details the process of gaining access to our resources. The Student Data Release Form should be accessed to start the process of downloading student data. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding.

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

North Coast Shared Services Alliance (NCSSA)

NCSSA is a jointly governed organization among the Service Center, the Educational Service Center of Cuyahoga County, the Educational Service Center of Lorain County, and a private sector substitute provider, Rachel Wixey and Associates. The jointly governed organization was formed for the purpose of providing substitute management and human resources services to school districts throughout the region. Each of the educational service centers supports NCSSA based on services provided to the school districts. The degree of control exercised by any participating educational service center is limited to the contractually agreed upon duties with regard to substitute services. The Educational Service Center of Cuyahoga County serves as the fiscal agent.

B. Insurance Purchasing Pool

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 Sheakley Uniservice, Inc's Workers' Compensation Group Rating Program (WCGRP) was established as an insurance purchasing pool.

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

C. Risk Sharing Pool

The Stark County Schools Council of Governments (the Council) is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the Educational Service Center by the grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one and a common premium rate is applied to all member districts. New members must maintain a reserve amount equal to 30 percent of claims paid for the preceding 12 month period.

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture, Fixtures and Equipment	\$ 427,032	\$ 8,447	\$(146,540)	\$ 288,939
Vehicles	139,267	56,347	0	195,614
Total Capital Assets, being depreciated	566,299	64,794	(146,540)	484,553
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(344,432)	(23,711)	143,265	(224,878)
Vehicles	(90,348)	(37,899)	0	(128,247)
Total Accumulated Depreciation	(434,780)	(61,610)	143,265	(353,125)
Governmental Activities Capital Assets, Net	\$ 131,519	\$ 3,184	\$ (3,275)	\$ 131,428

Depreciation expense was charged as follows:

Governmental Activities:	
Instruction:	
Adult Education	\$ 5,134
Support Services:	
Pupil	346
Instructional Staff	15,266
Fiscal	113
Business	7,809
Pupil Transportation	32,844
Central	98
Total Depreciation	\$ 61,610

Note 9 - Risk Management

Property and Liability

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. The Educational Service Center contracted with Leonard Insurance Company for a Commercial Package Policy starting September 1, 2013 through August 31, 2014. The policy covers all furniture and equipment that has a value equal or greater than \$500. In addition, the Commissioners of Medina County provide insurance coverage for the contents of the office space they provide to the Educational Service Center.

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Professional liability was protected by the Leonard Insurance Company starting September 1, 2013 through August 31, 2014. Coverage is \$2,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible for each claim. An Umbrella increases the annual aggregate by \$2,000,000 and each occurrence by \$2,000,000. A school leader's error and omissions policy is also provided by Leonard Insurance Company with an aggregate limit of \$1,000,000 and a deductible of \$2,500. Vehicles were covered by the Leonard Insurance Company as well. The policy holds a \$250 deductible for comprehensive and \$500 deductible for collision. The policy includes coverage for hired and non-owned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

For fiscal year 2014, the Educational Service Center participated in the Sheakley Uniservice, Inc's Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 7B). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating Educational Service Centers is calculated as one experience and a common premium rate is applied to all Educational Service Centers in the Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program.

Participation in the program is limited to districts that can meet the selection criteria. The districts apply for participation each year. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the program. Each year the Educational Service Center pays an enrollment fee to the program to cover the costs of administration.

Note 10 - Pension Plans

A. School Employees Retirement System

Plan Description - The Educational Service Center contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current 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 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised

Medina County Schools' Educational Service Center

Medina County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Code provides statutory authority for member and employer contributions. The Educational Service Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$230,278, \$221,861 and \$214,216, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The Educational Service Center participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or 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 DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. 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 State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$247,668, \$267,313 and \$258,226, respectively; 94 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$10,610 made by the Educational Service Center and \$8,337 made by the plan members.

Medina County Schools' Educational Service Center

Medina County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, two of the governing board members have elected social security. The Board's liability is 6.2% of wages paid.

Note 11 - Postemployment Benefits

A. State Employees Retirement System

Plan Description – The Educational Service Center participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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.

Medina County Schools' Educational Service Center
Medina County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The Educational Service Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$31,581, \$27,601 and \$35,805, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$13,360, \$12,533, and \$12,701, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

Plan Description - The Educational Service Center contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$19,051, \$20,562, and \$19,866, respectively; 94 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Note 12 - Employee Benefits

A. Compensated Absences

Certified and Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time up to five days of the prorated share of the current year is paid to all employees upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 240 days.

B. Life Insurance

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Educational Employees Life Insurance Trust.

Medina County Schools' Educational Service Center
Medina County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 - Long - Term Obligations

The changes in the Educational Service Center's long-term obligations during the year consist of the following:

	Restated Balance 6/30/13	Additions	Reductions	Balance 6/30/14	Amounts Due in One Year
Governmental Activities:					
Compensated Absences	\$ 113,509	\$ 57,937	\$ 58,398	\$ 113,048	\$ 46,988
Total Governmental Activities Long-Term Liabilities	<u>\$ 113,509</u>	<u>\$ 57,937</u>	<u>\$ 58,398</u>	<u>\$ 113,048</u>	<u>\$ 46,988</u>

Compensated absences will be paid from the general fund.

Note 14 – 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, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The Educational Service Center is not party to any claims or lawsuits that would, in the Educational Service Center's opinion, have a material effect of the basic financial statements.

Note 15 – Interfund Transfers

In fiscal year 2014, general fund transferred \$133 to the other grants fund to cover operating costs.



Dave Yost • Auditor of State

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

Medina County Schools' Educational Service Center
Medina County
124 West Washington Street
Medina, Ohio 44256

To the Board of Governors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Medina County Schools' Educational Service Center, Medina County, Ohio, (the Educational Service Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated March 22, 2016, wherein we noted the Governmental Activities' net position and General Fund's fund balance were restated due to certain agency fund reclassifications.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Educational Service Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Educational Service Center's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Educational Service Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Educational Service Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Educational Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 22, 2016



Dave Yost • Auditor of State

EDUCATIONAL SERVICE CENTER OF MEDINA COUNTY

MEDINA 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
APRIL 12, 2016**