



Dave Yost • Auditor of State

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	17
Notes to the Basic Financial Statements.....	19
Supplemental Section:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund	39
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual– Title VI-B	40
Notes to the Supplemental Section.....	41
Federal Awards Receipts and Expenditures Schedule	43
Notes to the Federal Awards Receipts and Expenditures Schedule	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings.....	49
Corrective Action Plan.....	51
Schedule of Prior Audit Findings.....	53



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2011, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during fiscal year 2011, Northwest Ohio Educational Service Center adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 14, 2012

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of Northwest Ohio 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, 2011. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Highlights for fiscal year 2011 are as follows:

There was a decrease in net assets for fiscal year 2011 of \$729,594, or almost 11 percent. Revenues increased 3.5 percent while expenses increased 11 percent.

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

Using the Basic Financial Statements

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

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

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

Reporting the Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Northwest Ohio Educational Service Center
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011
 Unaudited

Reporting the Educational Service Center's Most Significant Funds

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

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

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

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2011 and fiscal year 2010.

Table 1 Net Assets			
	2011	Governmental Activities 2010	Change
<u>Assets:</u>			
Current and Other Assets	\$3,961,365	\$9,275,040	(\$5,313,675)
Capital Assets, Net	7,020,001	1,129,738	5,890,263
Total Assets	<u>10,981,366</u>	<u>10,404,778</u>	<u>576,588</u>
<u>Liabilities:</u>			
Current and Other Liabilities	2,493,692	2,405,275	(88,417)
Long-Term Liabilities	2,289,678	1,071,913	(1,217,765)
Total Liabilities	<u>4,783,370</u>	<u>3,477,188</u>	<u>(1,306,182)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	\$5,879,939	\$1,116,320	\$4,763,619
Restricted	407,211	1,340,999	(933,788)
Unrestricted (Deficit)	(89,154)	4,470,271	(4,559,425)
Total Net Assets	<u>\$6,197,996</u>	<u>\$6,927,590</u>	<u>(\$729,594)</u>

Northwest Ohio Educational Service Center
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011
 Unaudited

A review of the above table reveals a number of significant changes from the prior fiscal year. There was a significant decrease in current and other assets and unrestricted net assets; however, there was a corresponding increase in net capital assets and invested in capital assets which reflects the building acquisition which was completed in September 2011. In addition, there was a decrease in current and other assets (intergovernmental receivables) as well as restricted net assets which reflects the expiration of grant resources obtained through the American Recovery and Reinvestment Act (ARRA). The increase in long-term liabilities represents additional resources that were borrowed and spent on the building acquisition.

Table 2 reflects the changes in net assets for fiscal year 2011 and fiscal year 2010.

Table 2
 Change in Net Assets

	Governmental Activities		Change
	2011	2010	
<u>Revenues:</u>			
<u>Program Revenues</u>			
Charges for Services	\$14,298,738	\$11,450,934	\$2,847,804
Operating Grants and Contributions	7,368,937	9,704,109	(2,335,172)
Capital Grants and Contributions	215,200		215,200
Total Program Revenues	<u>21,882,875</u>	<u>21,155,043</u>	<u>727,832</u>
<u>General Revenues</u>			
Grants and Entitlements	782,864	787,500	(4,636)
Interest	9,034	32,846	(23,812)
Rent	180,898		180,898
Gifts and Donations	384		384
Miscellaneous	50,861	60,209	(9,348)
Total General Revenues	<u>1,024,041</u>	<u>880,555</u>	<u>143,486</u>
Total Revenues	<u>22,906,916</u>	<u>22,035,598</u>	<u>871,318</u>

(continued)

Northwest Ohio Educational Service Center
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011
 Unaudited

Table 2
 Change in Net Assets
 (continued)

	Governmental Activities		
	2011	2010	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$1,443,086	\$954,867	(\$488,219)
Special	3,573,110	1,374,521	(2,198,589)
Support Services:			
Pupils	4,941,084	4,681,506	(259,578)
Instructional Staff	7,544,199	7,278,181	(266,018)
Board of Education	97,554	91,003	(6,551)
Administration	750,830	627,934	(122,896)
Fiscal	435,257	417,977	(17,280)
Business	65,775	74,860	9,085
Operation and Maintenance of Plant	540,403	645,252	104,849
Pupil Transportation	262,960	178,888	(84,072)
Central	207,092	174,325	(32,767)
Non-Instructional Services	50,564	54,436	3,872
Intergovernmental	3,690,108	4,753,792	1,063,684
Interest and Fiscal Charges	34,488	1,108	(33,380)
Total Expenses	<u>23,636,510</u>	<u>21,308,650</u>	<u>(2,327,860)</u>
Increase (Decrease) in Net Assets	(729,594)	726,948	(1,456,542)
Net Assets at Beginning of Year	<u>6,927,590</u>	<u>6,200,642</u>	<u>726,948</u>
Net Assets at End of Year	<u>\$6,197,996</u>	<u>\$6,927,590</u>	<u>(\$729,594)</u>

Program revenues were 96 percent of total revenues for fiscal year 2011 (the same as for fiscal year 2010) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 62 percent of total revenues. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to seventeen local, three exempted village, and three city school districts in Northwest Ohio, as well as some services to various other area school districts. Note the increase in charges for services revenues due, in part, to the addition of the Liberty Education Center program as well as a general increase in billable services (also giving consideration to an increase in charges due to the expiration of grant revenues). The decrease in operating grants and contributions reflects the expiration of grant resources obtained through the American Recovery and Reinvestment Act (ARRA).

The increase in general revenues is primarily due to rental income. The Educational Service Center is renting space in the newly acquired building to the Northern Buckeye Education Council. Rental income will generally be used to retire the debt obtained to acquire the building or for building improvements.

Overall, expenses increased 11 percent from the prior fiscal year. Program costs are charged to the school districts for services they contract with the Educational Service Center to provide. Costs are determined from the costs of personnel, fringe benefits, purchased services, supplies, equipment, etc. less any applicable revenue sources available to the Educational Service Center.

Regular instruction costs (6 percent of total expenses) include opportunity programs and suspension programs.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

Expenses for the services of nurses, school psychologists, speech therapists, attendance officer, social worker, adapted physical education instructors, occupational therapists, physical therapists, work-study coordinators, and a preschool coordinator represented 21 percent of overall expenses and are reflected as pupils support services.

Instructional staff support services were 32 percent of total expenses. These expenses include the costs of special education supervisors, general education consultants, gifted education coordinators, child information management specialists, and paraprofessionals (teacher aides).

Intergovernmental expenses include the Individual Disabilities Education Act Grant (IDEA-B) and the Limited English Proficiency Grant (LEP). These are flow-through grant resources received and spent by the Educational Service Center on behalf of the school districts. These flow-through costs decreased 22 percent in fiscal year 2011 due to the expiration of ARRA grant resources.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$1,443,086	\$954,867	(\$537,274)	(\$509,278)
Special	3,573,110	1,374,521	(5,117,045)	(4,785,816)
Support Services:				
Pupils	4,941,084	4,681,506	82,278	64,400
Instructional Staff	7,544,199	7,278,181	4,458,013	4,132,321
Board of Education	97,554	91,003	91,125	85,672
Administration	750,830	627,934	731,462	627,934
Fiscal	435,257	417,977	334,066	339,549
Business	65,775	74,860	58,063	74,860
Operation and Maintenance of Plant	540,403	645,252	464,651	570,852
Pupil Transportation	262,960	178,888	262,960	178,888
Central	207,092	174,325	(97,310)	130,342
Non-Instructional Services	50,564	54,436	39,964	36,275
Intergovernmental	3,690,108	4,753,792	948,194	(793,500)
Interest and Fiscal Charges	34,488	1,108	34,488	1,108
Total Expenses	<u>\$23,636,510</u>	<u>\$21,308,650</u>	<u>\$1,753,635</u>	<u>\$153,607</u>

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

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance decreased over \$4.4 million in the General Fund generally due to the building acquisition.

The Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) Fund had a 47 percent decrease in fund balance. In the prior fiscal year, additional resources were obtained through the American Recovery and Reinvestment Act. This program has expired.

Capital Assets

At June 30, 2011, the Educational Service Center had \$7,020,001 invested in capital assets (net of accumulated depreciation). Significant additions consisted of donated land and the building acquisition. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

Current Issues

With the uncertainty of the economy, funding cuts could continue for the Educational Service Center as well as other school districts in Ohio. Funding cuts in Educational Service Center per pupil funding have been enacted and are continuing in fiscal year 2012.

Costs for services will increase with staff moving up the salary schedules and increased insurance costs as the Educational Service Center tries to maintain quality services with quality personnel. The Educational Service Center did not increase salary schedules for 2011-2012 helping to keep cost increases minimal but it is not realistic to continue zero increases for multiple years while trying to retain quality staff. Additionally, educational programming expenses associated with services to this student population continue to increase. Since the Educational Service Center charges school districts for services based on costs, charges for services will modestly increase in fiscal year 2012. As school districts experience reductions to their revenues they are looking for ways to cut expenses including services they receive from the Educational Service Center. Since the majority of services provided are mandated, school districts can look at providing the services themselves if they believe they have the capacity to provide the services themselves at a lower cost or with staff that would otherwise have been cut at their school districts to reduce overall costs.

Shared services is a term that will be a priority for all educational service centers. The State budget bill (HB 153) requires the Governor's Director of 21st Century Education to develop a plan for the integration and consolidation of the publicly supported regional shared services, including educational service centers and other educational support organizations, to serve Ohio's public and chartered nonpublic schools. The plan is due by January 2012 and the recommendations are to be implemented by July 1, 2012. As required under the budget bill, the Director conducted a shared services survey this fall to gather baseline data on the current status of shared services and to determine where opportunities for additional shared services exist.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The board of education of each city, exempted village, or local school district with an average daily student enrollment of sixteen thousand or less must enter into an agreement with the governing board of an educational service center to provide services to the school district. Defiance City School District, Hicksville Local School District, Montpelier Exempted Village School District, and Napoleon Area City School District have service agreements as provided for. Bryan City School District and Wauseon Exempted Village School District fall under this provision and will need to determine which educational service center to align with. Discussions are beginning with all these school districts to explain their options and the benefits of contracting with Northwest Ohio Educational Service Center.

Beyond educational services, the State budget bill provided that a governing board of an educational service center may enter into a contract with any political subdivision, under which the educational service center will provide services to the political subdivision. Contracts are to be mutually agreed to by the parties with direct payment to the educational service center for services specified in the contract.

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

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

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

Contacting the Educational Service Center's Financial Management

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

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Northwest Ohio Educational Service Center
 Fulton County
 Statement of Net Assets
 June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,508,062
Accounts Receivable	6,550
Accrued Interest Receivable	466
Intergovernmental Receivable	437,320
Materials and Supplies Inventory	8,967
Nondepreciable Capital Assets	217,295
Depreciable Capital Assets, Net	6,802,706
Total Assets	10,981,366
 <u>Liabilities:</u>	
Accounts Payable	1,121
Accrued Wages and Benefits Payable	2,062,487
Matured Compensated Absences Payable	7,174
Intergovernmental Payable	419,814
Accrued Interest Payable	3,096
Long-Term Liabilities:	
Due Within One Year	219,843
Due in More Than One Year	2,069,835
Total Liabilities	4,783,370
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	5,879,939
Restricted For:	
Debt Service	13,255
Capital Projects	15,633
Migrant and OMEC	237,008
Other Purposes	141,315
Unrestricted (Deficit)	(89,154)
Total Net Assets	\$6,197,996

See Accompanying Notes to Basic Financial Statements

Northwest Ohio Educational Service Center
Fulton County
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$1,443,086	\$324,506	\$1,655,854		\$537,274
Special	3,573,110	6,520,923	2,169,232		5,117,045
Support Services:					
Pupils	4,941,084	4,284,126	542,400	\$32,280	(82,278)
Instructional Staff	7,544,199	2,786,695	241,387	58,104	(4,458,013)
Board of Education	97,554	6,429			(91,125)
Administration	750,830			19,368	(731,462)
Fiscal	435,257	90,431		10,760	(334,066)
Business	65,775	3,408		4,304	(58,063)
Operation and Maintenance of Plant	540,403	73,600		2,152	(464,651)
Pupil Transportation	262,960				(262,960)
Central	207,092	208,620	7,550	88,232	97,310
Non-Instructional Services	50,564		10,600		(39,964)
Intergovernmental	3,690,108		2,741,914		(948,194)
Interest and Fiscal Charges	34,488				(34,488)
Total Governmental Activities	\$23,636,510	\$14,298,738	\$7,368,937	\$215,200	(1,753,635)

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	782,864
Interest	9,034
Rent	180,898
Gifts and Donations	384
Miscellaneous	50,861
Total General Revenues	1,024,041
 Change in Net Assets	 (729,594)
 Net Assets at Beginning of Year	 6,927,590
Net Assets at End of Year	\$6,197,996

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Balance Sheet
 Governmental Funds
 June 30, 2011

	<u>General</u>	<u>Title VI-B</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,312,000	\$93,479	\$102,583	\$3,508,062
Accounts Receivable	6,550			6,550
Accrued Interest Receivable	466			466
Interfund Receivable	6,985			6,985
Intergovernmental Receivable	39,555		397,765	437,320
Materials and Supplies Inventory	8,967			8,967
Total Assets	<u>\$3,374,523</u>	<u>\$93,479</u>	<u>\$500,348</u>	<u>\$3,968,350</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$1,063		\$58	\$1,121
Accrued Wages and Benefits Payable	1,973,603		88,884	2,062,487
Matured Compensated Absences Payable	7,174			7,174
Interfund Payable			6,985	6,985
Intergovernmental Payable	356,151		63,663	419,814
Deferred Revenue	14,933		52,431	67,364
Total Liabilities	<u>2,352,924</u>		<u>212,021</u>	<u>2,564,945</u>
<u>Fund Balances:</u>				
Nonspendable	8,967			8,967
Restricted		93,479	288,710	382,189
Committed	131,752			131,752
Assigned	76,250			76,250
Unassigned (Deficit)	804,630		(383)	804,247
Total Fund Balances	<u>1,021,599</u>	<u>93,479</u>	<u>288,327</u>	<u>1,403,405</u>
Total Liabilities and Fund Balances	<u>\$3,374,523</u>	<u>\$93,479</u>	<u>\$500,348</u>	<u>\$3,968,350</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances	\$1,403,405
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,020,001
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	4,220	
Accrued Interest Receivable	466	
Intergovernmental Receivable	62,678	
		67,364

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(3,096)	
Loan Payable	(1,140,062)	
Compensated Absences Payable	(1,149,616)	
		(2,292,774)

Net Assets of Governmental Activities	\$6,197,996
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See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2011

	General	Title VI-B	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$2,523,982	\$3,322,839	\$3,041,237	\$8,888,058
Interest	9,190		61	9,251
Tuition and Fees	16,471,866			16,471,866
Customer Services	517,003			517,003
Rent			180,898	180,898
Gifts and Donations	7,083		10,600	17,683
Miscellaneous	57,442			57,442
Total Revenues	<u>19,586,566</u>	<u>3,322,839</u>	<u>3,232,796</u>	<u>26,142,201</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	252,116		1,190,816	1,442,932
Special	6,029,644		192,438	6,222,082
Support Services:				
Pupils	4,732,701		129,147	4,861,848
Instructional Staff	6,510,333		1,006,202	7,516,535
Board of Education	97,554			97,554
Administration	724,714		10,072	734,786
Fiscal	336,930		96,811	433,741
Business	67,972			67,972
Operation and Maintenance of Plant	493,601		35,940	529,541
Pupil Transportation	78,888		163,259	242,147
Central	116,214		38,208	154,422
Non-Instructional Services			49,858	49,858
Capital Outlay	5,842,425			5,842,425
Intergovernmental		3,404,822	285,286	3,690,108
Debt Service:				
Principal Retirement	13,418		117,938	131,356
Interest and Fiscal Charges	355		31,037	31,392
Total Expenditures	<u>25,296,865</u>	<u>3,404,822</u>	<u>3,347,012</u>	<u>32,048,699</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(5,710,299)</u>	<u>(81,983)</u>	<u>(114,216)</u>	<u>(5,906,498)</u>
<u>Other Financing Sources (Uses):</u>				
Loan Proceeds	1,258,000			1,258,000
Transfers In			20,000	20,000
Transfers Out	(20,000)			(20,000)
Total Other Financing Sources (Uses)	<u>1,238,000</u>		<u>20,000</u>	<u>1,258,000</u>
Changes in Fund Balances	(4,472,299)	(81,983)	(94,216)	(4,648,498)
Fund Balances at Beginning of Year -				
Restated (Note 3)	5,493,898	175,462	382,543	6,051,903
Fund Balances at End of Year	<u>\$1,021,599</u>	<u>\$93,479</u>	<u>\$288,327</u>	<u>\$1,403,405</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Changes in Fund Balances - Total Governmental Funds (\$4,648,498)

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

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

Capital Outlay	5,928,781	
Capital Contributions	215,200	
Depreciation	<u>(232,330)</u>	
		5,911,651

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (21,388)

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

Intergovernmental	(753,556)	
Interest	(217)	
Tuition and Fees	9,876	
Customer Services	(20)	
Miscellaneous	<u>(6,581)</u>	
		(750,498)

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

Capital Lease Payable	13,418	
Loan Payable	<u>117,938</u>	
		131,356

Loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (1,258,000)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. (3,096)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (91,121)

Change in Net Assets of Governmental Activities (\$729,594)

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Fulton County
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2011

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$55,477</u></u>
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Liabilities:

Intergovernmental Payable	<u><u>\$55,477</u></u>
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See Accompanying Notes to the Basic Financial Statements

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Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Reporting Entity

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

The Educational Service Center operates under a locally-elected Governing Board elected from subdistricts within the four county area (Defiance, Fulton, Henry, and Williams counties). The Board consists of nine members elected for staggered four year terms. The Educational Service Center has twenty-two administrators, two hundred ninety-eight classified employees, and four hundred fifty certified employees who provide services to the local, exempted village, and city school districts.

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

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

The Educational Service Center participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the government activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

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

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Governmental Funds

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center did not have any trust funds in fiscal year 2011. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's agency fund accounts for various payroll related deductions.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Deferred Revenues

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

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

Expenses/Expenditures

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

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

E. Cash and Investments

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

During fiscal year 2011, investments included federal agency securities, U.S. treasury securities, mutual funds, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$9,190, which includes \$2,070 assigned from other Educational Service Center funds.

Note 2 - Summary of Significant Accounting Policies (continued)

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

F. Inventory

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

G. Capital Assets

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

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

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

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

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

a liability for accumulated unused sick leave for all employees who have ten or more years of service with the Educational Service Center.

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets represent federal and state grants. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance

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

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

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Governing Board. The committed amounts cannot be used for any other purpose unless the 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

M. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

N. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2011, these funds included the Title VI-B (Individual Disabilities Education Act), Early Childhood Special Education, and Limited English Proficiency special revenue funds.

O. Interfund Transactions

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

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

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

P. 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.

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the Educational Service Center as they were previously reported.

	General	Title VI-B	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$5,393,765		\$175,462	\$482,676
Change in Fund Structure	100,133			(100,133)
Adjusted Fund Balance at June 30, 2010	\$5,493,898		\$175,462	\$382,543
				\$6,051,903

Note 4 - Accountability

At June 30, 2011, the Miscellaneous State Grants special revenue fund had a deficit fund balance, in the amount of \$383, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

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

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

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

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

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Deposits and Investments (continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,455,313 of the Educational Service Center's bank balance of \$2,705,884 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

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

Investments

As of June 30, 2011, the Educational Service Center had the following investments:

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Deposits and Investments (continued)

	Fair Value	Maturity
Federal Home Loan Bank Notes	\$439,662	2/17/12
Federal Home Loan Bank Notes	139,867	11/30/12
Federal Home Loan Mortgage Corporation Notes	99,981	11/30/12
Federal Home Loan Mortgage Corporation Notes	225,074	10/28/13
Federal National Mortgage Association Notes	49,993	12/18/13
U.S. Treasury Bills	49,934	5/3/12
Mutual Funds	7,354	35 days average
STAR Ohio	32,480	58 days average
Total Investments	<u>\$1,159,380</u>	

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

All of the federal agency securities, U.S. treasury bills, and mutual funds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The Educational Service Center has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$579,529	50.0%
Federal Home Loan Mortgage Corporation	325,055	28.0
Federal National Mortgage Association	165,028	14.2
U.S. Treasury Bills	49,934	4.3

Note 6 - State Funding

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

The Educational Service Center also receives funding from the State Department of Education, in the amount of \$40.52 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 - State Funding (Continued)

served by the Educational Service Center an amount equal to \$6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

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

Note 7 - Receivables

Receivables at June 30, 2011, consisted of accounts, accrued interest, interfund, and intergovernmental receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Program Costs	\$33,903
Various School Districts	5,412
Miscellaneous	240
Total General Fund	39,555
Other Governmental Funds	
Miscellaneous State Grants	1,043
Migrant and OMEC	314,681
Miscellaneous Federal Grants	82,041
Total Other Governmental Funds	397,765
Total Intergovernmental Receivables	\$437,320

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$2,095	\$215,200		\$217,295
Depreciable Capital Assets				
Land Improvements	39,404			39,404
Buildings and Building Improvements	600,074	5,806,671		6,406,745
Furniture, Fixtures, and Equipment	1,157,956	122,110	\$(178,033)	1,102,033
Vehicles	213,747		(51,998)	161,749
Total Depreciable Capital Assets	2,011,181	5,928,781	(230,031)	7,709,931

(Continued)

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Capital Assets (Continued)

Capital Assets Table
(Continued)

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Less Accumulated Depreciation				
Land Improvements	(10,418)	(1,970)		(12,388)
Buildings and Building Improvements	(203,439)	(120,346)		(323,785)
Furniture, Fixtures, and Equipment	(560,214)	(89,795)	166,290	(483,719)
Vehicles	(109,467)	(20,219)	42,353	(87,333)
Total Accumulated Depreciation	<u>(883,538)</u>	<u>(232,330)</u>	<u>208,643</u>	<u>(907,225)</u>
Depreciable Capital Assets, Net	<u>1,127,643</u>	<u>5,696,451</u>	<u>(21,388)</u>	<u>6,802,706</u>
Governmental Activities Capital Assets, Net	<u>\$1,129,738</u>	<u>\$5,911,651</u>	<u>(\$21,388)</u>	<u>\$7,020,001</u>

The Educational Service Center accepted contributions of nondepreciable capital assets for governmental activities, with a fair value of \$215,200, during fiscal year 2011.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$5,079
Special	34,494
Support Services:	
Pupils	26,006
Instructional Staff	45,649
Administration	21,488
Fiscal	8,030
Business	2,472
Operation and Maintenance of Plant	25,793
Pupil Transportation	10,068
Central	52,670
Noninstructional Services	581
Total Depreciation Expense	<u>\$232,330</u>

Note 9 - Interfund Assets/Liabilities

At June 30, 2011, the General Fund had an interfund receivable from other governmental funds, in the amount of \$6,985, for short-term loans made to those funds.

Note 10 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Educational Service Center contracted for the following insurance coverage:

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 - Risk Management (Continued)

Coverage provided by the Argonaut Insurance Group	
General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Excess Liability	2,000,000
Auto Coverage	
Liability	1,000,000
Uninsured Motorist	1,000,000
Commercial Property	4,957,200

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

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

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

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance

Note 11 - Defined Benefit Pension Plans (continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$1,238,891 and \$25,493 for the fiscal year ended June 30, 2011, \$1,180,689 and \$17,853 for the fiscal year ended June 30, 2010, and \$1,291,251 for the fiscal year ended June 30, 2009. For fiscal year 2011, 87 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$7,591 made by the Educational Service Center and \$5,422 made by the plan members. In addition, member contributions of \$18,209 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer

Note 11 - Defined Benefit Pension Plans (continued)

contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$562,355, \$579,986, and \$422,228, respectively. For fiscal year 2011, 88 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, four of the Board of Governors members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$97,844, \$93,152, and \$100,642, respectively. For fiscal year 2011, 87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board

Note 12 - Postemployment Benefits (continued)

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 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the Educational Service Center paid \$71,211 in surcharge.

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

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$68,092, \$20,876, and \$193,231, respectively. For fiscal year 2011, 88 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$36,189, \$34,491, and \$34,837, respectively. For fiscal year 2011, 88 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 14 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
Loan Payable		\$1,258,000	\$117,938	\$1,140,062	\$157,250
Capital Leases Payable	\$13,418		13,418		
Compensated Absences Payable	1,058,495	162,196	71,075	1,149,616	62,593
Total Governmental Activities	<u>\$1,071,913</u>	<u>\$1,420,196</u>	<u>\$202,431</u>	<u>\$2,289,678</u>	<u>\$219,843</u>

FY11 Loan Payable - On September 1, 2010, the Educational Service Center obtained a loan, in the amount of \$1,258,000, to acquire a building. The loan was issued for an eight year period, with final maturity during fiscal year 2019. The loan is being retired from the Debt Service fund.

Compensated absences and capital leases will be paid from the General Fund.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, were as follows:

<u>FY 11 Loan Payable</u>			
Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$157,250	\$36,499	\$193,749
2013	157,250	31,125	188,375
2014	157,250	25,751	183,001
2015	157,250	20,377	177,627
2016	157,250	15,002	172,252
2017-2019	353,812	14,107	367,919
Total	<u>\$1,140,062</u>	<u>\$142,861</u>	<u>\$1,282,923</u>

Note 15 - Fund Balance

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

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 15 - Fund Balance (Continued)

Fund Balance	General	Title VI-B	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$8,967			\$8,967
Restricted for:				
Debt Retirement			\$16,351	16,351
Non-Instructional Services			17,032	17,032
Permanent Improvements			15,633	15,633
Regular Instruction			29,304	29,304
Special Instruction		\$93,479	210,390	303,869
Total Restricted		93,479	288,710	382,189
Committed for:				
Future Severance Payments	131,752			131,752
Assigned for:				
Unpaid Obligations	76,250			76,250
Unassigned (Deficit):	804,630		(383)	804,247
Total Fund Balance	\$1,021,599	\$93,479	\$288,327	\$1,403,405

Note 16 - Interfund Transfers

During fiscal year 2011, the General Fund made transfers to other governmental funds, in the amount of \$20,000, to subsidize operations of other funds.

Note 17 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2011, the Educational Service Center paid \$41,784 to NWOCA for various services. Financial information can be obtained from NWOCA, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 17 - Jointly Governed Organizations (continued)

B. Northern Buckeye Education Council

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

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The degree of control exercised by the Educational Service Center is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 18 - Insurance Pools

A. Northern Buckeye Education Council Employee Insurance Benefits Program

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

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

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

Notes 19 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2011.

B. Litigation

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

Northwest Ohio Educational Service Center
 Fulton County
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental			\$2,540,869	
Interest			10,137	
Tuition and Fees			16,448,265	
Customer Services			514,142	
Gifts and Donations			7,083	
Miscellaneous			<u>56,590</u>	
Total Revenues			<u>19,577,086</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$272,585	\$319,943	262,923	\$57,020
Special	6,485,092	6,385,920	6,039,455	346,465
Support Services:				
Pupils	4,800,012	4,878,602	4,748,438	130,164
Instructional Staff	6,646,851	6,769,163	6,475,013	294,150
Board of Education	93,501	107,101	96,210	10,891
Administration	583,001	755,944	725,961	29,983
Fiscal	357,516	362,971	337,969	25,002
Business	80,887	84,387	69,006	15,381
Operation and Maintenance of Plant	444,423	591,446	507,217	84,229
Pupil Transportation	56,428	101,375	78,587	22,788
Central	130,855	135,526	131,308	4,218
Capital Outlay	<u>1,427,022</u>	<u>5,869,614</u>	<u>5,863,780</u>	<u>5,834</u>
Total Expenditures	<u>21,378,173</u>	<u>26,361,992</u>	<u>25,335,867</u>	<u>1,026,125</u>
Excess of Expenditures Over Revenues	<u>(21,378,173)</u>	<u>(26,361,992)</u>	<u>(5,758,781)</u>	<u>20,603,211</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds of Loan			1,258,000	1,258,000
Other Financing Sources			3,648	3,648
Refund of Prior Year Expenditures			393	393
Refund of Prior Year Receipts	(1,000)	(1,000)		1,000
Advances Out	(25,000)	(25,000)		25,000
Transfers Out	(50,000)	(21,477)	(20,000)	1,477
Total Other Financing Sources (Uses)	<u>(76,000)</u>	<u>(47,477)</u>	<u>1,242,041</u>	<u>1,289,518</u>
Changes in Fund Balance	(21,454,173)	(26,409,469)	(4,516,740)	21,892,729
Fund Balance at Beginning of Year	7,671,891	7,671,891	7,671,891	
Prior Year Encumbrances Appropriated	76,162	76,162	<u>76,162</u>	
Fund Balance at End of Year			<u><u>\$3,231,313</u></u>	<u><u>\$21,892,729</u></u>

Northwest Ohio Educational Service Center
 Fulton County
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 Title VI-B Fund
 For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			<u>\$3,483,070</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	\$4,225,753	\$3,060,226	3,060,226	
Support Services:				
Pupil Transportation	382,370	403,125	403,125	
Non-Instructional Services	80,299	19,719	19,719	
Total Expenditures	<u>4,688,422</u>	<u>3,483,070</u>	<u>3,483,070</u>	
Excess of Expenditures Over Revenues	(4,688,422)	(3,483,070)		
<u>Other Financing Uses:</u>				
Refund of Prior Year Receipts		(15,231)	(15,231)	
Changes in Fund Balance	(4,688,422)	(3,498,301)	(15,231)	3,483,070
Fund Balance at Beginning of Year	(767,852)	(767,852)	(767,852)	
Prior Year Encumbrances Appropriated	783,083	783,083	783,083	
Fund Balance at End of Year			<u><u>783,083</u></u>	<u><u>\$3,483,070</u></u>

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

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

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

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

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

Note 2 - Budgetary Basis of Accounting

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

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

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Supplemental Section
 For the Fiscal Year Ended June 30, 2011

Note 2 - Budgetary Basis of Accounting (continued)

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

	Changes in Fund Balance	
	General Fund	Title VI-B Fund
GAAP Basis	(\$4,472,299)	(\$81,983)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2010, Received in Cash FY 2011	32,694	160,231
Accrued FY 2011, Not Yet Received in Cash	(38,623)	
Expenditure Accruals:		
Accrued FY 2010, Paid in Cash FY 2011	(2,302,164)	
Accrued FY 2011, Not Yet Paid in Cash	2,337,991	
Unrecorded Cash Activity 2010	1,882	
Unrecorded Cash Activity 2011	(1,392)	
Materials and Supplies Inventory	4,466	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(79,295)	(93,479)
Budget Basis	(\$4,516,740)	(\$15,231)

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Migrant Education State Grant Program	84.011	\$974,167	\$993,486
Special Education Cluster:			
Special Education Grants to States	84.027	2,699,987	2,699,987
Special Education Preschool Grants	84.173	178,750	177,250
ARRA Special Education Grants to States	84.391	767,852	689,604
ARRA Special Education Preschool Grants	84.392	125,725	126,293
Total Special Education Cluster		<u>3,772,314</u>	<u>3,693,134</u>
Migrant Education Coordination Program	84.144	106,929	79,469
Twenty-First Century Community Learning Centers	84.287	1,401,614	1,446,202
English Language Acquisition Grants	84.365	<u>26,696</u>	<u>26,696</u>
Total U.S. Department of Education		<u>6,281,720</u>	<u>6,238,987</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Medical Assistance Program - CAFS	93.778	16,887	
<i>Passed Through Ohio Department of Education</i>			
Cooperative Agreement: Improving Health and Education Outcomes	93.938	<u>10,000</u>	<u>10,000</u>
Total U.S Department of Health and Human Services		<u>26,887</u>	<u>10,000</u>
Total		<u>\$6,308,607</u>	<u>\$6,248,987</u>

The accompanying notes are an integral part of this schedule.

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MEDICAL ASSISTANCE PROGRAM – CAFS

During the fiscal the Educational Service Center received \$16,887 in a CAFS settlement. This amount relates to a settlement for CAFS services provided in prior years and as a result there are no current year expenditures.



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

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

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2011, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated March 14, 2012, wherein we noted the Educational Service Center adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Educational Service Center's management in a separate letter dated March 14, 2012.

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

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

Dave Yost
Auditor of State

March 14, 2012



Dave Yost • Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of Northwest Ohio Educational Service Center, Fulton County, Ohio (the Educational Service Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Educational Service Center's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Educational Service Center's major federal programs. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Educational Service Center's compliance based on our audit.

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

In our opinion Northwest Ohio Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-001 to be a material weakness.

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

We also noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the Educational Service Center's management in a separate letter dated March 14, 2012.

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



Dave Yost
Auditor of State

March 14, 2012

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA 84.027/ 84.173/ 84.391/ 84.392 Migrant Education Grant CFDA 84.011
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-001
CFDA Title and Number	Migrant Education – State Grant Program (Title I, Part C Of ESEA), CFDA 84.011
Federal Award Number / Year	S011A100035 / 2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness

1. A determination of eligibility was not performed for 13% of the students tested for the Migrant Education Program (MEP). The certificate of eligibility had expired for those students.
2. Sections 1302(e)(2) of the Elementary and Secondary Education Act (ESEA) allows a child who is no longer a migratory child to continue to receive services for one additional school year, but only if comparable services are not available through other programs. There were no controls in place at the Educational Service Center to ensure that those students which eligibility had expired received additional services for the required time frame. Students could have received services past the allowable extension or could have been prematurely taken out of the program.

Lack of controls over eligibility determination could jeopardize future funding of the Migrant Education Program.

In order to improve controls over eligibility determination requirements, we recommend appropriate personnel at the Educational Service Center perform a yearly review and update of quality control, Certificate of Eligibility completion procedures, and eligibility requirements. Additionally, eligibility determinations should be performed annually of children being provided MEP services to make sure they remain eligible for these services. Any children found to be no longer eligible should be provided services only if they meet the requirements of Sections 1302(e)(2) of the ESEA.

Officials' Response:

The Educational Service Center will review the eligibility procedures and take appropriate corrective action.

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-001	The Educational Service Center will monitor the eligibility certification process and provide training on Section 1302(e)(2) of the Elementary and Secondary Education Act.	12/31/2012	Dorothy Pietrykowski

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NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for recovery repaid under audit for overpayment of travel reimbursements.	Yes	



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NORTHWEST OHIO EDUCATIONAL SERVICE CENTER

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2012**