



**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
HENRY COUNTY**

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Mary Taylor, CPA

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 Service Center), as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Ohio Educational Service Center, Fulton County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Service Center's basic financial statements. The Schedules of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual provide additional information and are not a required part of the basic financial statements. The Schedule of Federal Award Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedules of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual and the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 21, 2010

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of Northwest Ohio Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

There was an increase in net assets for fiscal year 2009 of \$168,305, or less than 3 percent. This was not a significant change.

The Educational Service Center entered into a rental agreement for office space built to suit our needs. Combining four offices into one has and will continue to lead to efficiencies and reductions of personnel and equipment costs. 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 2009. 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.

Northwest Ohio Educational Service Center
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2009
 Unaudited

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

Reporting the Educational Service Center's Most Significant Funds

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

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

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

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2009 and fiscal year 2008.

Table 1 Net Assets			
	Governmental Activities		
	2009	2008	Change
<u>Assets:</u>			
Current and Other Assets	\$9,100,419	\$8,931,764	\$168,655
Capital Assets, Net	744,045	820,238	(76,193)
Total Assets	9,844,464	9,752,002	92,462
			(continued)

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 1
Net Assets
(continued)

	Governmental Activities		
	2009	2008	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,536,807	\$2,612,233	\$75,426
Long-Term Liabilities	1,107,015	1,107,432	417
Total Liabilities	3,643,822	3,719,665	75,843
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	716,712	779,704	(62,992)
Restricted	422,107	444,497	(22,390)
Unrestricted	5,061,823	4,808,136	253,687
Total Net Assets	\$6,200,642	\$6,032,337	\$168,305

A review of the above table demonstrates there were no significant changes from the prior fiscal year.

Table 2 reflects the changes in net assets for fiscal year 2009 and fiscal year 2008.

Table 2
Change in Net Assets

	Governmental Activities		
	2009	2008	Change
<u>Revenues:</u>			
<u>Program Revenues</u>			
Charges for Services	\$14,267,112	\$13,878,501	\$388,611
Operating Grants and Contributions	6,468,051	7,383,646	(915,595)
Total Program Revenues	20,735,163	21,262,147	(526,984)
<u>General Revenues</u>			
Grants and Entitlements	811,373	820,959	(9,586)
Interest	153,599	338,263	(184,664)
Miscellaneous	87,271	121,743	(34,472)
Total General Revenues	1,052,243	1,280,965	(228,722)
Total Revenues	21,787,406	22,543,112	(755,706)

(continued)

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2009	2008	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$937,911	\$1,049,141	\$111,230
Special	3,238,835	4,589,791	1,350,956
Adult/Continuing	2,970	2,970	
Support Services:			
Pupils	4,947,072	3,087,413	(1,859,659)
Instructional Staff	7,177,073	7,030,519	(146,554)
Board of Education	80,802	91,084	10,282
Administration	871,220	1,009,939	138,719
Fiscal	385,045	391,752	6,707
Business	70,484	74,193	3,709
Operation and Maintenance of Plant	361,389	329,525	(31,864)
Pupil Transportation	106,423	68,773	(37,650)
Central	177,902	165,856	(12,046)
Non-Instructional Services	79,557	114,506	34,949
Intergovernmental	3,180,594	3,926,337	745,743
Interest and Fiscal Charges	1,824	2,500	676
Total Expenses	<u>21,619,101</u>	<u>21,934,299</u>	<u>315,198</u>
Increase in Net Assets	168,305	608,813	(440,508)
Net Assets at Beginning of Year	<u>6,032,337</u>	<u>5,423,524</u>	<u>608,813</u>
Net Assets at End of Year	<u>\$6,200,642</u>	<u>\$6,032,337</u>	<u>\$168,305</u>

Program revenues were 95 percent of total revenues for fiscal year 2009 (nearly the same as for fiscal year 2008) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 65 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.

Total revenues decreased by 3 percent, primarily due to decreases in grant funding (mainly Individual Disabilities Education Act Grant (IDEA-B)). In addition, in fiscal year 2008, the Community Alternative Funding System (CAFS) final settlements were received. In fiscal year 2009, there were no CAFS monies received. There was also a significant decrease in interest revenues reflecting the recent economic decline.

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

Regular instruction costs (4 percent of total expenses) include opportunity programs, alternative programs, suspension programs, and intervention tutors. A reduction in staffing levels resulted in a reduction of regular education instruction costs of 11 percent, over \$111,000.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
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Unaudited

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget with 15 percent of overall expenses directly related to special instruction activities including instruction of gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, emotional disturbed, cognitive and specific learning disabled, autistic, English as a second language, and preschool disabled children. The cost of special instructional services was reduced by 29 percent, approximately \$1,351,000, due to fewer instructional staff and a change in allocating costs among the special instruction and pupils programs.

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 23 percent of overall expenses and are reflected as pupils support services. The increase of over \$1,850,000 from the prior fiscal year is related, in part, to the change in allocating costs among the special instruction and pupils programs.

Instructional staff support services were 33 percent of total expenses. These expenses include the costs of special education supervisors, general education consultants, gifted education coordinators, child information management specialists, paraprofessionals (teacher aides), and a technology coordinator.

Board of Education expenses declined by 11 percent, over \$10,000, due to fewer meetings thus lower compensation costs and from lower professional dues expenses and liability insurance expenses.

Administration costs were 14 percent less in fiscal year 2009 mainly due to not replacing a deputy superintendent position when it became vacant.

A 10 percent increase in operation and maintenance of plant of approximately \$31,800 was due to a number of expenses associated with a new office building opening in the fall of 2009.

Pupil transportation expenses increased 55 percent. These costs have previously been recorded as paraprofessional expenses within the instructional staff program.

Non-instructional services decreased nearly \$35,000, from a reduction in Individual Disabilities Education Act Grant (IDEA-B) non-public school expenses and migrant health services.

Intergovernmental expenses include the Individual Disabilities Education Act Grant (IDEA-B), Early Childhood Special Education Grant (ECSE), and Limited English Proficiency Grant (LEP). These are flow-through grant resources received and spent by the Educational Service Center on behalf of the school districts. These sources declined 19 percent in fiscal year 2009 due to reduced IDEA-B funding.

The costs of office space provided by the County Commissioners continued to increase by 20 percent per year through fiscal year 2007, at which time the County Commissioners could charge the Educational Service Center for 100 percent of office space costs. The Fulton County Commissioners have not charged for office space. The Henry County Commissioners charge the Educational Service Center for office space costs in Henry County. The office spaces in Defiance and Williams counties are rented from private individuals presently. These costs are charged to school districts served within those three counties, prorated by the amount of services charged by the Educational Service Center per county. With the uncertainty of short-term rental agreements, both as to cost and availability, for these offices, the Educational Service Center's Board has been looking for a long-term office solution.

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.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$937,911	\$1,049,141	(\$166,883)	(\$235,061)
Special	3,238,835	4,589,791	(3,813,124)	(4,040,148)
Adult/Continuing	2,970	2,970		
Support Services:				
Pupils	4,947,072	3,087,413	89,381	244,887
Instructional Staff	7,177,073	7,030,519	3,066,069	2,927,848
Board of Education	80,802	91,084	75,770	85,659
Administration	871,220	1,009,939	855,819	993,201
Fiscal	385,045	391,752	296,012	295,652
Business	70,484	74,193	70,484	74,193
Operation and Maintenance of Plant	361,389	329,525	259,013	217,389
Pupil Transportation	106,423	68,773	67,582	25,388
Central	177,902	165,856	109,544	99,463
Non-Instructional Services	79,557	114,506	1,146	34,516
Intergovernmental	3,180,594	3,926,337	(28,699)	(53,335)
Interest and Fiscal Charges	1,824	2,500	1,824	2,500
Total Expenses	<u>\$21,619,101</u>	<u>\$21,934,299</u>	<u>\$883,938</u>	<u>\$672,152</u>

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

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

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had a 1 percent increase in fund balance from the prior fiscal year. All resources for the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) Fund were spent in fiscal year 2009.

Capital Assets

At June 30, 2009, the Educational Service Center had \$744,045 invested in capital assets (net of accumulated depreciation), a decrease of 9 percent and due to depreciation. For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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 2010.

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, although the base rate of the schedules was not increased for fiscal year 2009. Since the Educational Service Center charges school districts for services based on costs, charges for services will increase in fiscal year 2010. As school districts experience reductions to their revenues they are looking for ways to cut expenses including services they receive from the Educational Service Center. Since the majority of services provided are mandated, school districts can look at providing the services themselves if they believe they have the capacity to provide the services themselves at a lower cost or with staff that would otherwise have been cut at their school districts to reduce overall costs.

Community Alternative Funding System (CAFS) is a program of Federal Medicaid reimbursements for services to Medicaid eligible students. These funds have been segregated within the General Fund based on the year to which the funding applies. CAFS continued to be available through fiscal year 2005 but have ceased to flow to all educational service centers under this program for fiscal year 2006, 2007, 2008, and 2009 claims. Individual school districts are now able to participate in a replacement program for CAFS, known as Ohio School Medicaid School Program. Many Educational Service Center special education support staff members are able to document services they provide which create Medicaid funding for the local school districts now.

The Educational Service Center desires to operate as efficiently as possible therefore charging the client districts as little as possible including office space costs. With the receipt of unplanned CAFS funds, the Educational Service Center began to discuss office space concerns. Due to uncertainties of office space lease arrangements, including their short-term nature, quality of space, and costs; CAFS funds received in fiscal years 2007 and 2008 were not dedicated for expenditure or credits to school districts.

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 Williams County office space has a two month termination clause which is balanced with a relatively low cost per square foot. The Defiance County office space is also very inexpensive at \$1.50 per square foot but the aesthetics and layout are not very conducive to day-to-day operations. The Henry County office space is suitable but at close to market costs. The Fulton County office space, while provided by the Commissions at no cost, is not efficient and has been rumored to be up for extensive renovations for several years which would require the current staff and contents to be relocated during renovations. Since the Educational Service Center has been seriously looking at office space, the Fulton County Commissioners have committed to no change in the status until the new facility recently contracted is completed.

The four previous offices were vacated in late August with all staff moving to the new office building at that time. The office space lease provides for an option to purchase the facility at the end of each year of the lease, after the first full year.

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

Northwest Ohio Educational Service Center
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Contacting the Educational Service Center's Financial Management

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

Northwest Ohio Educational Service Center
 Fulton County
 Statement of Net Assets
 June 30, 2009

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$8,716,709
Accounts Receivable	10,881
Accrued Interest Receivable	5,084
Intergovernmental Receivable	356,428
Materials and Supplies Inventory	11,317
Nondepreciable Capital Assets	2,095
Depreciable Capital Assets, Net	741,950
Total Assets	9,844,464
 <u>Liabilities:</u>	
Accounts Payable	7,940
Accrued Wages and Benefits Payable	2,139,916
Matured Compensated Absences Payable	828
Intergovernmental Payable	388,123
Long-Term Liabilities:	
Due Within One Year	111,728
Due in More Than One Year	995,287
Total Liabilities	3,643,822
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	716,712
Restricted For:	
Migrant and OMEC	389,066
Other Purposes	33,041
Unrestricted	5,061,823
Total Net Assets	\$6,200,642

See Accompanying Notes to Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Statement of Activities
 For the Fiscal Year Ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$937,911	\$809,807	\$294,987
Special	3,238,835	5,902,857	1,149,102
Adult/Continuing	2,970		2,970
Support Services:			
Pupils	4,947,072	4,241,886	615,805
Instructional Staff	7,177,073	3,153,226	957,778
Board of Education	80,802	5,032	
Administration	871,220		15,401
Fiscal	385,045	38,305	50,728
Business	70,484		
Operation and Maintenance of Plant	361,389	71,184	31,192
Pupil Transportation	106,423		38,841
Central	177,902	44,815	23,543
Non-Instructional Services	79,557		78,411
Intergovernmental	3,180,594		3,209,293
Interest and Fiscal Charges	1,824		
Total Governmental Activities	<u>\$21,619,101</u>	<u>\$14,267,112</u>	<u>\$6,468,051</u>

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	811,373
Interest	153,599
Miscellaneous	87,271
Total General Revenues	<u>1,052,243</u>

Change in Net Assets 168,305

Net Assets at Beginning of Year 6,032,337
 Net Assets at End of Year \$6,200,642

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Fulton County
 Balance Sheet
 Governmental Funds
 June 30, 2009

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$8,233,142	\$483,567	\$8,716,709
Accounts Receivable	10,881		10,881
Accrued Interest Receivable	5,084		5,084
Intergovernmental Receivable	127,018	229,410	356,428
Materials and Supplies Inventory	11,317		11,317
Total Assets	\$8,387,442	\$712,977	\$9,100,419
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$6,804	\$1,136	\$7,940
Accrued Wages and Benefits Payable	2,079,719	60,197	2,139,916
Matured Compensated Absences Payable		828	828
Intergovernmental Payable	374,519	13,604	388,123
Deferred Revenue	11,107		11,107
Total Liabilities	2,472,149	75,765	2,547,914
 <u>Fund Balances:</u>			
Reserved for Encumbrances	458,565	100,040	558,605
Unreserved, Designated for Termination Benefits		202,452	202,452
Unreserved, Reported in:			
General Fund	5,456,728		5,456,728
Special Revenue Funds		334,720	334,720
Total Fund Balances	5,915,293	637,212	6,552,505
Total Liabilities and Fund Balances	\$8,387,442	\$712,977	\$9,100,419

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, 2009

Total Governmental Fund Balances		\$6,552,505
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		744,045
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	8,787	
Accrued Interest Receivable	2,320	
		11,107
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences	(1,079,682)	
Capital Leases	(27,333)	
		(1,107,015)
Net Assets of Governmental Activities		\$6,200,642

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, 2009

	General	Title VI-B	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental	\$2,533,949	\$3,017,909	\$1,766,426	\$7,318,284
Interest	160,847			160,847
Tuition and Fees	16,916,999			16,916,999
Customer Services	356,679			356,679
Gifts and Donations	9,640		25,500	35,140
Miscellaneous	80,899			80,899
Total Revenues	<u>20,059,013</u>	<u>3,017,909</u>	<u>1,791,926</u>	<u>24,868,848</u>
Expenditures:				
Current:				
Instruction:				
Regular	643,141		307,861	951,002
Special	6,034,854		99,054	6,133,908
Adult/Continuing			2,970	2,970
Support Services:				
Pupils	4,826,119		124,216	4,950,335
Instructional Staff	6,324,931		822,340	7,147,271
Board of Education	80,802			80,802
Administration	879,163		12,790	891,953
Fiscal	345,174		36,465	381,639
Business	72,486			72,486
Operation and Maintenance of Plant	267,922	25,986	27,537	321,445
Pupil Transportation	43,150		49,831	92,981
Central	110,188		67,714	177,902
Non-Instructional Services			52,891	52,891
Capital Outlay	94,331			94,331
Intergovernmental		3,004,210	176,384	3,180,594
Debt Service:				
Principal Retirement	13,201			13,201
Interest and Fiscal Charges	1,824			1,824
Total Expenditures	<u>19,737,286</u>	<u>3,030,196</u>	<u>1,780,053</u>	<u>24,547,535</u>
Excess of Revenues Over (Under) Expenditures	<u>321,727</u>	<u>(12,287)</u>	<u>11,873</u>	<u>321,313</u>
Other Financing Sources (Uses):				
Transfers In			253,280	253,280
Transfers Out	(253,280)			(253,280)
Total Other Financing Sources (Uses)	<u>(253,280)</u>		<u>253,280</u>	
Changes in Fund Balances	68,447	(12,287)	265,153	321,313
Fund Balances at Beginning of Year	5,846,846	12,287	372,059	6,231,192
Fund Balances at End of Year	<u>\$5,915,293</u>	<u>12,287</u>	<u>\$637,212</u>	<u>\$6,552,505</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, 2009

Changes in Fund Balances - Total Governmental Funds \$321,313

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

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

Capital Outlay	69,024	
Depreciation	(142,494)	
	(73,470)	(73,470)

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. (2,723)

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

Intergovernmental	(74,000)	
Interest	(7,248)	
Tuition and Fees	(1,939)	
Customer Services	(417)	
Miscellaneous	6,372	
	(77,232)	(77,232)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 13,201

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. (12,784)

Change in Net Assets of Governmental Activities \$168,305

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, 2009

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$50,709</u></u>
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Liabilities:

Intergovernmental Payable	<u><u>\$50,709</u></u>
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See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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-five administrators, two hundred thirty-five classified employees, and two hundred seventeen certified employees who provide services to the local, exempted village, and city school districts.

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center did not have any trust funds in fiscal year 2009. 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.

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenues

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

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

Expenses/Expenditures

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

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

E. Cash and Investments

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

During fiscal year 2009, investments included federal agency securities, mutual funds, bankers' acceptances, 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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2009.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2009 was \$160,847, which includes \$11,365 assigned from other Educational Service Center funds.

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

F. Inventory

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Net Assets

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

K. Fund Balance Reserves and Designations

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

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

L. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2009, these funds included the Title VI-B (Individual Disabilities Education Act), Early Childhood Special Education, and Limited English Proficiency special revenue funds.

M. Interfund Transactions

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

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

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

N. Estimates

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

Note 3 - Changes in Accounting Principles

For fiscal year 2009, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 - Changes in Accounting Principles (continued)

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

Note 4 - Deposits and Investments

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

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

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

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

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

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

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2009

Note 4 - Deposits and Investments (continued)

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.

Investments

As of June 30, 2009, the Educational Service Center had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$253,985	3/12/10
Federal Home Loan Bank Notes	224,370	3/22/10
Federal Home Loan Bank Notes	274,065	4/19/10
Federal Home Loan Bank Notes	398,280	6/11/10
Federal Home Loan Mortgage Corporation Notes	348,670	5/5/10
Federal Home Loan Mortgage Corporation Notes	360,036	1/7/11
Federal Home Loan Mortgage Corporation Notes	110,080	1/20/11
Federal Home Loan Mortgage Corporation Notes	150,087	1/27/11
Federal National Mortgage Association Notes	75,023	7/28/10
Federal National Mortgage Association Notes	200,714	11/24/10
Mutual Funds	5,415	45 days average
Bankers' Acceptances	214,503	10/19/09
STAR Ohio	4,452,293	58.1 days average
Total Investments	\$7,067,521	

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

All of the federal agency securities and mutual funds carry a rating of AAA by Moodys. The commercial paper carries a rating of P-1 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, bankers' acceptances must be eligible for purchase by the federal reserve system and must mature within one hundred eighty

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 4 - Deposits and Investments (continued)

days of purchase, 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	\$1,150,700	16.3%
Federal Home Loan Mortgage Corporation	968,873	13.7
Federal National Mortgage Association	275,737	3.9
Bankers' Acceptances	214,503	3.0

Note 5 - State Funding

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

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

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

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2009

Note 6 - Receivables

Receivables at June 30, 2009, consisted of accounts, accrued interest, and intergovernmental receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Program Costs	\$119,621
Various School Districts	5,293
Miscellaneous	2,104
Total General Fund	127,018
Other Governmental Funds	
Miscellaneous State Grants	3,185
Migrant and OMEC	226,225
Total Other Governmental Funds	229,410
Total Intergovernmental Receivables	\$356,428

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$2,095			\$2,095
Depreciable Capital Assets				
Land Improvements	39,404			39,404
Buildings and Building Improvements	601,660			601,660
Furniture, Fixtures, and Equipment	969,436	\$69,024	(\$70,384)	968,076
Vehicles	155,769			155,769
Total Depreciable Capital Assets	1,766,269	69,024	(70,384)	1,764,909

(continued)

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2009

Note 7 - Capital Assets (continued)

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Less Accumulated Depreciation				
Land Improvements	(\$3,419)	(\$5,029)		(\$8,448)
Buildings and Building Improvements	(117,952)	(62,914)		(180,866)
Furniture, Fixtures, and Equipment	(749,636)	(58,679)	\$67,661	(740,654)
Vehicles	(77,119)	(15,872)		(92,991)
Total Accumulated Depreciation	(948,126)	(142,494)	67,661	(1,022,959)
Depreciable Capital Assets, Net	818,143	(73,470)	(2,723)	741,950
Governmental Activities Capital Assets, Net	\$820,238	(\$73,470)	(\$2,723)	\$744,045

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$1,438
Special		20,259
Support Services:		
Pupils		6,629
Instructional Staff		10,545
Administration		20,622
Fiscal		1,596
Business		1,902
Operation and Maintenance of Plant		65,953
Pupil Transportation		12,969
Noninstructional Services		581
Total Depreciation Expense		<u>\$142,494</u>

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 8 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by the Governmental Underwriters of America

General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Excess Liability	2,000,000
Auto Coverage	
Liability	1,000,000
Uninsured Motorist	1,000,000
Commercial Property	4,415,552

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

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

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

Note 9 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$1,291,251, \$1,297,316, and \$1,239,096 respectively; 86 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were \$17,098 made by the Educational Service Center and \$32,498 made by the plan members.

Note 9 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$422,228, \$423,624, and \$433,589 respectively; 88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

A. State Teachers Retirement System

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

Northwest Ohio Educational Service Center
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 10 - Postemployment Benefits (continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$100,642, \$101,641, and \$97,004 respectively; 86 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.

Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 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 2009, the surcharge amount was \$70,191.

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, 2009, 2008, and 2007 was \$193,231, \$193,313, and \$143,952 respectively; 88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 2009, this actuarially required allocation was .75 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$34,837, \$30,523, and \$29,484 respectively; 88 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2009

Note 11 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 12 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$1,066,898	\$63,156	\$50,372	\$1,079,682	\$97,812
Capital Leases	40,534		13,201	27,333	13,916
Total Governmental Activities	<u>\$1,107,432</u>	<u>\$63,156</u>	<u>\$63,573</u>	<u>\$1,107,015</u>	<u>\$111,728</u>

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

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2009

Note 13 - Capital Leases - Lessee Disclosure

The Educational Service Center entered into capital leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances. Principal payments in 2009 were \$13,201.

	Governmental Activities
Property under Capital Lease	\$65,900
Less Accumulated Depreciation	(41,735)
Total June 30, 2009	\$24,165

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009.

Fiscal Year	Principal	Interest
2010	\$13,916	\$1,110
2011	13,417	352
Total	\$27,333	\$1,462

Note 14 - Interfund Transfers

During fiscal year 2009, the General Fund made transfers to other governmental funds, in the amount of \$253,280, to subsidize operations of other funds and to set aside resources for the future payment of termination benefits.

Note 15 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2009, the Educational Service Center paid \$23,538 to NWOCA for various services. Financial information can be obtained from NWOCA, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 15 - 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 16 - Insurance Pools

A. Northern Buckeye Education Council Employee Insurance Benefits Program

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

Note 16 - Insurance Pools (continued)

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

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

Notes 17 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2009.

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 and Actual (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental			\$2,530,549	
Interest			166,809	
Tuition and Fees			16,970,177	
Customer Services			377,712	
Gifts and Donations			9,640	
Miscellaneous			81,156	
Total Revenues			<u>20,136,043</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$681,690	\$708,861	671,728	\$37,133
Special	6,487,296	6,229,191	6,025,043	204,148
Support Services:				
Pupils	6,415,926	5,236,321	4,901,559	334,762
Instructional Staff	6,485,532	6,553,146	6,463,766	89,380
Board of Education	101,470	98,400	84,316	14,084
Administration	1,325,940	1,061,013	929,546	131,467
Fiscal	373,040	390,971	371,471	19,500
Business	78,843	91,922	74,795	17,127
Operation and Maintenance of Plant	363,149	982,242	285,908	696,334
Pupil Transportation	41,120	39,968	38,647	1,321
Central	134,362	295,777	247,408	48,369
Capital Outlay	143,982	516,591	125,525	391,066
Total Expenditures	<u>22,632,350</u>	<u>22,204,403</u>	<u>20,219,712</u>	<u>1,984,691</u>
Excess of Revenues Under Expenditures	<u>(22,632,350)</u>	<u>(22,204,403)</u>	<u>(83,669)</u>	<u>22,120,734</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures			7,792	7,792
Refund of Prior Year Receipts	(420,700)	(420,700)	(60,000)	360,700
Advances Out	(40,000)	(40,000)		40,000
Transfers Out	(60,000)	(263,000)	(253,280)	9,720
Total Other Financing Sources (Uses)	<u>(520,700)</u>	<u>(723,700)</u>	<u>(305,488)</u>	<u>418,212</u>
Changes in Fund Balance	(23,153,050)	(22,928,103)	(389,157)	22,538,946
Fund Balance at Beginning of Year	7,953,936	7,953,936	7,953,936	
Prior Year Encumbrances Appropriated	193,163	193,163	193,163	
Fund Balance at End of Year			<u>\$7,757,942</u>	<u>\$22,538,946</u>

See Accompanying Notes to the Supplemental Section

Northwest Ohio Educational Service Center
 Fulton County
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 Title VI-B Fund
 For the Fiscal Year Ended June 30, 2009

	<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>\$3,030,196</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	\$2,991,923	\$2,991,923	2,991,923	
Support Services:				
Pupils	12,287	12,287	12,287	
Non-Instructional Services	<u>25,986</u>	<u>25,986</u>	<u>25,986</u>	
Total Expenditures	<u>3,030,196</u>	<u>3,030,196</u>	<u>3,030,196</u>	
Changes in Fund Balance	(3,030,196)	(3,030,196)		\$3,030,196
Fund Balance (Deficit) at Beginning of Year	(12,287)	(12,287)	(12,287)	
Prior Year Encumbrances Appropriated	12,287	12,287	<u>12,287</u>	
Fund Balance at End of Year			<u><u>12,287</u></u>	<u><u>\$3,030,196</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 a reservation of fund balance (GAAP basis).

Northwest Ohio Educational Service Center
 Fulton County
 Notes to the Supplemental Section
 For the Fiscal Year Ended June 30, 2009

Note 2 - Budgetary Basis of Accounting (continued)

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

	General Fund	Title VI-B Fund
GAAP Basis	\$68,447	(\$12,287)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 2008, Received in Cash FY 2009	207,994	12,287
Accrued FY 2009, Not Yet Received in Cash	(131,876)	
Expenditure Accruals:		
Accrued FY 2008, Paid in Cash FY 2009	(2,539,530)	
Accrued FY 2009, Not Yet Paid in Cash	2,461,042	
Unrecorded Cash Activity 2008	16,795	
Unrecorded Cash Activity 2009	(8,091)	
Materials and Supplies Inventory	3,171	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(467,109)	
Budget Basis	(\$389,157)	

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30,2009**

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	\$819,468	\$827,577
Special Education Cluster: Special Education Grants to States	84.027	3,030,196	3,030,196
Special Education Preschool Grants	84.173	140,836	140,836
Total Special Education Cluster		<u>3,171,032</u>	<u>3,171,032</u>
Migrant Education Coordination Program	84.144	59,798	85,703
Javitis Gifted and Talented Students Education Grant Program	84.206	3,000	
Twenty-First Century Community Learning Centers	84.287	254,634	283,734
English Language Acquisition Grants	84.365	50,548	50,314
School Improvement Grants	84.377	<u>3,000</u>	<u>3,000</u>
Total U.S. Department of Education		<u>4,361,480</u>	<u>4,421,360</u>
Total		<u><u>\$4,361,480</u></u>	<u><u>\$4,421,360</u></u>

The accompanying notes are an integral part of this schedule.

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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Mary Taylor, CPA
Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, (the Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated January 21, 2010. 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 Service Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Service Center's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

January 21, 2010



Mary Taylor, CPA

Auditor of State

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

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 (the Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Service Center's major federal programs. The Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

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

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 Service Center's internal

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control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control over compliance.

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

January 21, 2010

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 9, 2010