



Dave Yost • Auditor of State

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Ohio Educational Service Center
Fulton County
205 Nolan Parkway
Archbold, Ohio 43502-8404

To the Governing Board:

Report on the Financial Statements

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 Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the Center's basic financial statements taken as a whole.

The budgetary comparisons for the General and Title VI-B funds present additional analysis and are not a required part of the basic financial statements.

The Federal Awards Receipts and Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

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Northwest Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 2014 are as follows:

There was an increase in net position for fiscal year 2014 of \$264,279, or approximately 4 percent.

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 position 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 position and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2014. 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 position and changes in net position. This change in net position 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

In the statement of net position 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 position for fiscal year 2014 and fiscal year 2013.

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Current and Other Assets	\$4,093,971	\$4,202,902	(\$108,931)
Capital Assets, Net	6,247,009	6,430,505	(183,496)
Total Assets	10,340,980	10,633,407	(292,427)
<u>Liabilities:</u>			
Current and Other Liabilities	2,067,252	2,392,445	325,193
Long-Term Liabilities	1,658,201	1,889,714	231,513
Total Liabilities	3,725,453	4,282,159	556,706
			(continued)

Northwest Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Net Position:</u>			
Net Investment of Capital Assets	\$5,578,697	\$5,604,943	(\$26,246)
Restricted	349,828	323,297	26,531
Unrestricted	687,002	423,008	263,994
Total Net Position	\$6,615,527	\$6,351,248	\$264,279

The only changes of significance from the prior fiscal year are those related to the reduction in liabilities. The decrease in current and other liabilities is primarily related to a decrease in accrued wages due to a reduction in staff as well as the timing of the payment. The decrease in long-term liabilities is due to both principal retirement on the building acquisition loan and to a reduction in the compensated absences liability (fewer individuals meeting the eligibility requirements and their related sick and vacation leave balances).

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

Table 2
Change in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$13,162,985	\$13,007,233	\$155,752
Operating Grants and Contributions	5,729,007	8,102,764	(2,373,757)
Total Program Revenues	18,891,992	21,109,997	(2,218,005)
General Revenues			
Grants and Entitlements	752,882	598,800	154,082
Interest	10,312	2,012	8,300
Rent	200,963	200,963	0
Miscellaneous	99,227	63,921	35,306
Total General Revenues	1,063,384	865,696	197,688
Total Revenues	19,955,376	21,975,693	(2,020,317)

(continued)

Northwest Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$1,409,065	\$1,362,138	(\$46,927)
Special	6,793,309	3,544,516	(3,248,793)
Support Services:			
Pupils	4,401,301	4,441,802	40,501
Instructional Staff	1,697,569	6,827,079	5,129,510
Board of Education	73,698	109,158	35,460
Administration	524,950	742,376	217,426
Fiscal	588,106	482,786	(105,320)
Business	15,157	56,795	41,638
Operation and Maintenance of Plant	485,816	403,134	(82,682)
Pupil Transportation	200,903	219,037	18,134
Central	244,066	162,655	(81,411)
Non-Instructional Services	74,471	56,642	(17,829)
Intergovernmental	3,157,062	3,306,784	149,722
Interest and Fiscal Charges	25,624	30,959	5,335
Total Expenses	<u>19,691,097</u>	<u>21,745,861</u>	<u>2,054,764</u>
Increase in Net Position	264,279	229,832	34,447
Net Position at Beginning of Year	<u>6,351,248</u>	<u>6,121,416</u>	<u>229,832</u>
Net Position at End of Year	<u>\$6,615,527</u>	<u>\$6,351,248</u>	<u>\$264,279</u>

Program revenues were 95 percent of total revenues for fiscal year 2014 (96 percent for fiscal year 2013) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 66 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. The most significant change in revenues was the decrease in restricted operating grants and contributions and is generally due to the State's method of preschool funding.

Overall, program expenses decreased 9 percent and largely due to the decrease in requested services. Also, note the change in the special instruction and instructional staff programs. This was partially due to a reclassification in accounting for staff costs among these programs.

Regular instruction costs (7 percent of total expenses) include opportunity programs and suspension programs.

Special instruction activities include activities such as instruction of gifted, multiple disabled, hearing impaired, visual impaired, orthopedic impaired, emotional disturbed, cognitive and specific learning disabled, English as a second language, preschool disabled children, and paraprofessionals (teacher aides).

Northwest Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Expenses for the services of nurses, school psychologists, speech therapists, attendance officer, adapted physical education instructors, occupational therapists, physical therapists, work-study coordinators, and transition services are reflected as pupils support services.

Instructional staff support services include activities such as special education supervisors, general education consultants, gifted education coordinators, and child information management specialists.

Intergovernmental expenses include the Individual Disabilities Education Act Grant (IDEA-B), Early Childhood Special Education Grant (ECSE), and the Limited English Proficiency Grant (LEP). These are flow-through grant resources received and spent by the Educational Service Center on behalf of the school districts.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$1,409,065	\$1,362,138	(\$1,371,351)	(\$625,863)
Special	6,793,309	3,544,516	(1,537,345)	(4,863,161)
Support Services:				
Pupils	4,401,301	4,441,802	202,101	28,879
Instructional Staff	1,697,569	6,827,079	1,526,107	4,213,401
Board of Education	73,698	109,158	73,698	102,898
Administration	524,950	742,376	524,950	742,376
Fiscal	588,106	482,786	497,983	382,815
Business	15,157	56,795	15,157	56,795
Operation and Maintenance of Plant	485,816	403,134	485,816	338,385
Pupil Transportation	200,903	219,037	200,903	219,037
Central	244,066	162,655	83,991	(32,099)
Non-Instructional Services	74,471	56,642	71,471	41,442
Intergovernmental	3,157,062	3,306,784	0	0
Interest and Fiscal Charges	25,624	30,959	25,624	30,959
Total Expenses	<u>\$19,691,097</u>	<u>\$21,745,861</u>	<u>\$799,105</u>	<u>\$635,864</u>

For fiscal year 2014, program revenues provided for 96 percent of the costs of providing services. Funding for gifted and preschool units are provided by the State based on the training and experience of the staff employed in those positions. These units have been and continue to be funded below actual costs. The remaining costs are covered by general revenues.

Northwest Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Expenses for certain staff such as special education supervisors, general education consultants, and gifted education coordinators, and others are included in the instructional staff support services program. In contrast, instructional programs are charged to school districts and recorded by the Educational Service Center as charges for services revenue for activities related to regular and special instruction. Therefore, the instruction programs appear to be over funded while the instructional staff support services program seems to be under funded. Some expenses within the pupils support services program are also charged to school districts with the revenue recorded by the Educational Service Center as charges for services for activities related to special instruction.

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance increased \$201,270 (14 percent) in the General Fund. There was a similar decrease for both revenues and expenditures from the prior fiscal year, yet revenues were in excess of expenditures providing for the increase in fund balance.

The Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) Fund had a zero fund balance as of fiscal year end as all resources received were spent.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2014, the Educational Service Center had \$6,247,009 invested in capital assets (net of accumulated depreciation). Additions and disposals were minimal. For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

Debt - At June 30, 2014, the Educational Service Center's long-term debt consisted of a loan, in the amount of \$668,312, for building acquisition. The Educational Service Center's long-term obligations also include compensated absences. For further information regarding the Educational Service Center's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

With the slow recovery of the economy and the new State bi-annual budget, funding cuts continue for the Educational Service Center. Reductions in educational service center per pupil funding have been enacted in the past, beginning in fiscal year 2008, changing to a flat reduction of fiscal year 2012 funding in fiscal year 2013. While funding in fiscal year 2014 returned to a per pupil calculation, the State appropriation was not sufficient to fully fund the total amount state-wide. The State appropriation for fiscal year 2015 is less than fiscal year 2014. Additionally, two large school districts aligned to an educational service center in fiscal year 2015. Not all large school districts have aligned to an educational service center, so the potential to dilute the State per pupil funding continues.

Northwest Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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. Retirements of veteran staff will mitigate some of those increases as less experienced staff are hired as replacements. Following multiple years of no salary schedule increases and a step freeze in fiscal year 2014, the Educational Service Center had a modest increase to salary schedules of 1 percent in fiscal year 2015. Additionally, educational programming expenses associated with services to this student population continue to increase. Extended service days and hours per day for staff have been reduced where possible to help mitigate increases. Some positions are not being filled as vacancies occur.

Since the Educational Service Center charges school districts for services based on costs, charges for services will modestly increase in fiscal year 2015. 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.

Erate funding changes will also be a factor in lower revenues as the program focus changes to internet connectivity, away from phone and wireless services which have been funded to a level of 90 percent of eligible costs of these services. These changes will begin within fiscal year 2015.

In the fall of 2015, the Educational Service Center plans to pay down the remaining debt on the office building in Archbold, approximately \$472,000. The original amount was amortized over approximately eight years. The lease payments from the Northern Buckeye Education Council will offset the amount due for a net impact projected in fiscal year 2016 of \$287,000. Continuing lease payments will fund maintenance and improvement projects expected as the building ages.

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 Dorthy K. Pietrykowski, Chief Financial Officer, Northwest Ohio Educational Service Center, 205 Nolan Parkway, Archbold, Ohio 43502-0250.

Northwest Ohio Educational Service Center
Statement of Net Position
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,728,716
Accounts Receivable	10,437
Accrued Interest Receivable	996
Intergovernmental Receivable	341,388
Materials and Supplies Inventory	12,434
Nondepreciable Capital Assets	215,200
Depreciable Capital Assets, Net	6,031,809
Total Assets	10,340,980
<u>Liabilities:</u>	
Accounts Payable	46,457
Accrued Wages and Benefits Payable	1,676,704
Matured Compensated Absences Payable	27,463
Intergovernmental Payable	314,936
Accrued Interest Payable	1,692
Long-Term Liabilities:	
Due Within One Year	263,550
Due in More Than One Year	1,394,651
Total Liabilities	3,725,453
<u>Net Position:</u>	
Net Investment in Capital Assets	5,578,697
Restricted For:	
Debt Service	13,250
Capital Projects	53,640
Migrant and OMEC	141,043
Other Purposes	141,895
Unrestricted	687,002
Total Net Position	\$6,615,527

See Accompanying Notes to Basic Financial Statements

Northwest Ohio Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$1,409,065	\$1,173,460	\$1,606,956	\$1,371,351
Special	6,793,309	7,471,230	859,424	1,537,345
Support Services:				
Pupils	4,401,301	4,162,200	37,000	(202,101)
Instructional Staff	1,697,569	114,337	57,125	(1,526,107)
Board of Education	73,698	0	0	(73,698)
Administration	524,950	0	0	(524,950)
Fiscal	588,106	90,123	0	(497,983)
Business	15,157	0	0	(15,157)
Operation and Maintenance of Plant	485,816	0	0	(485,816)
Pupil Transportation	200,903	0	0	(200,903)
Central	244,066	151,635	8,440	(83,991)
Non-Instructional Services	74,471	0	3,000	(71,471)
Intergovernmental	3,157,062	0	3,157,062	0
Interest and Fiscal Charges	25,624	0	0	(25,624)
Total Governmental Activities	<u>\$19,691,097</u>	<u>\$13,162,985</u>	<u>\$5,729,007</u>	<u>(799,105)</u>

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	752,882
Interest	10,312
Rent	200,963
Miscellaneous	99,227
Total General Revenues	<u>1,063,384</u>

Change in Net Position 264,279

Net Position at Beginning of Year 6,351,248
Net Position at End of Year \$6,615,527

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,433,198	\$295,518	\$3,728,716
Accounts Receivable	10,437	0	10,437
Accrued Interest Receivable	996	0	996
Intergovernmental Receivable	137,299	204,089	341,388
Interfund Receivable	19,450	0	19,450
Materials and Supplies Inventory	12,434	0	12,434
Total Assets	<u>\$3,613,814</u>	<u>\$499,607</u>	<u>\$4,113,421</u>
<u>Liabilities:</u>			
Accounts Payable	\$24,107	\$22,350	\$46,457
Accrued Wages and Benefits Payable	1,609,156	67,548	1,676,704
Matured Compensated Absences Payable	27,463	0	27,463
Intergovernmental Payable	293,307	21,629	314,936
Interfund Payable	0	19,450	19,450
Total Liabilities	<u>1,954,033</u>	<u>130,977</u>	<u>2,085,010</u>
<u>Deferred Inflows of Resources:</u>			
Unavailable Revenue	<u>29,191</u>	<u>29,826</u>	<u>59,017</u>
<u>Fund Balances:</u>			
Nonspendable	12,434	0	12,434
Restricted	0	348,363	348,363
Assigned	130,022	0	130,022
Unassigned (Deficit)	<u>1,488,134</u>	<u>(9,559)</u>	<u>1,478,575</u>
Total Fund Balances	<u>1,630,590</u>	<u>338,804</u>	<u>1,969,394</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,613,814</u>	<u>\$499,607</u>	<u>\$4,113,421</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balances	\$1,969,394
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,247,009
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	9,987	
Accrued Interest Receivable	323	
Interfund Receivable	18,423	
Intergovernmental Receivable	30,284	
		59,017

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

Accrued Interest Payable	(1,692)	
Loan Payable	(668,312)	
Compensated Absences Payable	(989,889)	
		(1,659,893)

Net Position of Governmental Activities	\$6,615,527
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See Accompanying Notes to the Basic Financial Statements

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

	General	Title VI-B	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$821,631	\$2,944,294	\$2,739,574	\$6,505,499
Interest	10,383	0	173	10,556
Tuition and Fees	15,213,577	0	0	15,213,577
Customer Services	892,109	0	0	892,109
Rent	0	0	200,963	200,963
Gifts and Donations	6,880	0	3,000	9,880
Miscellaneous	102,654	0	523	103,177
Total Revenues	<u>17,047,234</u>	<u>2,944,294</u>	<u>2,944,233</u>	<u>22,935,761</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	463,330	0	942,205	1,405,535
Special	9,418,048	0	154,279	9,572,327
Support Services:				
Pupils	4,157,528	0	201,505	4,359,033
Instructional Staff	1,014,434	0	891,772	1,906,206
Board of Education	77,244	0	0	77,244
Administration	496,968	0	11,641	508,609
Fiscal	479,524	0	101,049	580,573
Business	12,834	0	0	12,834
Operation and Maintenance of Plant	429,842	0	27,564	457,406
Pupil Transportation	92,846	0	105,661	198,507
Central	169,373	0	14,085	183,458
Non-Instructional Services	33,993	0	42,956	76,949
Intergovernmental	0	2,944,294	212,768	3,157,062
Debt Service:				
Principal Retirement	0	0	157,250	157,250
Interest and Fiscal Charges	0	0	26,015	26,015
Total Expenditures	<u>16,845,964</u>	<u>2,944,294</u>	<u>2,888,750</u>	<u>22,679,008</u>
Changes in Fund Balances	201,270	0	55,483	256,753
Fund Balances at Beginning of Year	1,429,320	0	283,321	1,712,641
Fund Balances at End of Year	<u>\$1,630,590</u>	<u>\$0</u>	<u>\$338,804</u>	<u>\$1,969,394</u>

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
 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, 2014

Changes in Fund Balances - Total Governmental Funds \$256,753

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	12,928	
Depreciation	<u>(196,424)</u>	(183,496)

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

Intergovernmental	(33,490)	
Interest	(244)	
Tuition and Fees	(21,838)	
Customer Services	18,640	
Miscellaneous	<u>(3,950)</u>	(40,882)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position. 157,250

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. 391

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. 74,263

Change in Net Position of Governmental Activities \$264,279

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2014

Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$29,490</u>
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Liabilities:

Intergovernmental Payable	<u>\$29,490</u>
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See Accompanying Notes to the Basic Financial Statements

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 seventeen administrators, two hundred ninety-two classified employees, and four hundred nineteen 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 ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Northwest Ohio Educational Service Center.

The Educational Service Center participates in four jointly governed organizations and three 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 Schools of Ohio Risk Sharing Authority, the Northern Buckeye Health Plan, and the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan. Information about these organizations is presented in Notes 16 and 17 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. Following are the more significant of the Educational Service Center’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 and deferred inflows of resources is reported as fund balance. The Educational Service Center's two major funds are the General Fund and the Title VI-B special revenue fund.

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center did not have any trust funds in fiscal year 2014. 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 position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Note 2 - Summary of Significant Accounting Policies (continued)

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 inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Educational Service Center did not report any deferred outflows of resources for fiscal year 2014.

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service Center, deferred inflows of resources consists of unavailable revenue. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes accrued interest, interfund, intergovernmental revenue including grants, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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 2014, investments included federal agency securities, commercial paper, U.S. treasury securities, mutual funds, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s net asset value per share, which is the price the investment could be sold for on June 30, 2014.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$10,383, which includes \$739 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 expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Note 2 - Summary of Significant Accounting Policies (continued)

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 position 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 two thousand five hundred dollars. The Educational Service Center does not have any infrastructure. Improvements are capitalized.

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

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

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position generally represents 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 position is available.

L. Fund Balance

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Governors. The Board of Governors has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

M. 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 2014, these funds included the Title VI-B (Individual Disabilities Education Act), Early Childhood Special Education, and Limited English Proficiency special revenue funds.

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 - Accountability

At June 30, 2014, the Alternative School special revenue fund had a deficit fund balance, in the amount of \$9,559, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 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.

Note 4 - Deposits and Investments (continued)

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

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

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

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

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

Northwest Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 - Deposits and Investments (continued)

Investments

As of June 30, 2014, the Educational Service Center had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$55,097	3/13/15
Federal Home Loan Bank Notes	74,791	6/24/16
Federal Home Loan Bank Notes	60,716	11/28/16
Federal Home Loan Bank Notes	100,073	4/28/17
Federal Farm Credit Bank Notes	80,090	11/5/15
Federal Home Loan Mortgage Corporation Notes	45,019	5/13/16
Federal Home Loan Mortgage Corporation Notes	115,248	6/29/17
Federal National Mortgage Association Notes	80,001	4/29/16
Federal National Mortgage Association Notes	119,815	11/21/16
Federal National Mortgage Association Notes	54,911	1/30/17
Federal National Mortgage Association Notes	49,723	8/28/17
Federal National Mortgage Association Notes	58,965	4/30/18
Toyota Commercial Paper	99,958	9/24/14
U.S. Treasury Note	100,086	10/31/15
Mutual Funds	40,839	14 days average
STAR Ohio	584,754	51 days average
Total Investments	<u>\$1,720,086</u>	

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

All of the federal agency securities and mutual funds carry a rating of AAA by Moodys. 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 commercial paper must be rated in the highest qualification established by two nationally recognized standard rating services, mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service, and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Northwest Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 - Deposits and Investments (continued)

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
	<hr/>	<hr/>
Federal Home Loan Bank	\$290,677	16.9%
Federal Farm Credit Bank	80,090	4.7
Federal Home Loan Mortgage Corporation	160,267	9.3
Federal National Mortgage Association	363,415	21.1
Commercial Paper	99,958	5.8
U.S. Treasury	100,086	5.8

Note 5 - State Funding

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

The Educational Service Center also receives funding from the State Department of Education, in the amount of \$37.00, multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Receivables

Receivables at June 30, 2014, consisted of accounts, accrued interest, intergovernmental, and interfund 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	\$19,012
Various School Districts	78,348
Miscellaneous	39,939
Total General Fund	137,299
Other Governmental Funds	
Migrant and OMEC	91,000
Miscellaneous Federal Grants	113,089
Total Other Governmental Funds	204,089
Total Intergovernmental Receivables	\$341,388

Note 7 - Capital Assets

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

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$215,200	\$0	\$0	\$215,200
Depreciable Capital Assets				
Land Improvements	39,404	0	0	39,404
Buildings and Building Improvements	6,406,745	0	0	6,406,745
Furniture, Fixtures, and Equipment	595,274	12,928	(6,954)	601,248
Vehicles	161,749	0	0	161,749
Total Depreciable Capital Assets	7,203,172	12,928	(6,954)	7,209,146

(continued)

Northwest Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Capital Assets (continued)

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Less Accumulated Depreciation				
Land Improvements	(\$16,329)	(\$1,970)	\$0	(\$18,299)
Buildings and Building Improvements	(603,197)	(139,706)	0	(742,903)
Furniture, Fixtures, and Equipment	(249,403)	(42,641)	6,954	(285,090)
Vehicles	(118,938)	(12,107)	0	(131,045)
Total Accumulated Depreciation	(987,867)	(196,424)	6,954	(1,177,337)
Depreciable Capital Assets, Net	6,215,305	(183,496)	0	6,031,809
Governmental Activities Capital Assets, Net	<u>\$6,430,505</u>	<u>(\$183,496)</u>	<u>\$0</u>	<u>\$6,247,009</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,097
Special	14,221
Support Services:	
Pupils	22,672
Instructional Staff	36,801
Board of Education	154
Administration	19,662
Fiscal	7,936
Business	2,323
Operation and Maintenance of Plant	27,776
Pupil Transportation	1,827
Central	60,608
Non-Instructional Services	347
Total Depreciation Expense	<u>\$196,424</u>

Note 8 - Interfund Assets/Liabilities

At June 30, 2014, the General Fund had an interfund receivable from other governmental funds for services provided, in the amount of \$19,450.

Note 9 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Educational Service Center contracted for the following insurance coverage.

Coverage provided through Schools of Ohio Risk Sharing Authority is as follows:

General Liability	
Per Occurrence	\$12,000,000
Total per Year	14,000,000
Auto Coverage	
Liability	12,000,000
Uninsured Motorist	1,000,000
Commercial Property	12,882,218

Settled claims have not exceeded this commercial coverage in any of the past three years. There was a significant increase in insurance coverage from the prior fiscal year due to the change in the Educational Service Center's insurance provider.

For fiscal year 2014, the Educational Service Center participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The Educational Service Center participates in the Northern Buckeye Health Plan (Plan), 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 Plan. The agreement for the Plan provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Plan, 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 10 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$155,624
Other Governmental Funds	131,950
Total	<u><u>\$287,574</u></u>

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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.

Note 11 - Defined Benefit Pension Plans (continued)

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$1,022,542 and \$7,134 for the fiscal year ended June 30, 2014, \$1,196,063 and \$17,883 for the fiscal year ended June 30, 2013, and \$1,260,109 and \$23,088 for the fiscal year ended June 30, 2012. For fiscal year 2014, 88 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$30,919 made by the Educational Service Center and \$24,294 made by the plan members. In addition, member contributions of \$5,605 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$522,898, \$577,385, and \$600,385, respectively. For fiscal year 2014, 89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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, 2014, four of the Board of Governors members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$81,584, \$94,216, and \$99,378, respectively. For fiscal year 2014, 88 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the Educational Service Center paid \$70,261 in surcharge.

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

Northwest Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 12 - Postemployment Benefits (continued)

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$5,588, \$7,052, and \$26,001, respectively. For fiscal year 2014, 89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, this actuarially required allocation was .76 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$30,336, \$32,616, and \$35,456, respectively. For fiscal year 2014, 89 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

The Educational Service Center participates in the Northern Buckeye Health Plan. 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 14 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
Loan Payable	\$825,562	\$0	\$157,250	\$668,312	\$157,250
Compensated Absences Payable	1,064,152	28,691	102,954	989,889	106,300
Total Governmental Activities	<u>\$1,889,714</u>	<u>\$28,691</u>	<u>\$260,204</u>	<u>\$1,658,201</u>	<u>\$263,550</u>

Northwest Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

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

Compensated absences will be paid from the General Fund and the Migrant and OMEC and Miscellaneous Federal Grants special revenue funds.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, were as follows:

FY 11 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$157,250	\$20,062	\$177,312
2016	157,250	14,771	172,021
2017	157,250	9,480	166,730
2018	157,250	4,189	161,439
2019	39,312	220	39,532
Total	\$668,312	\$48,722	\$717,034

Note 15 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Materials and Supplies			
Inventory	\$12,434	\$0	\$12,434
Restricted for:			
Debt Retirement	0	14,942	14,942
Non-Instructional Services	0	6,562	6,562
Permanent Improvements	0	53,640	53,640
Regular Instruction	0	121,554	121,554
Special Instruction	0	151,665	151,665
Total Restricted	0	348,363	348,363
Assigned for:			
Unpaid Obligations	130,022	0	130,022
Unassigned (Deficit)	1,488,134	(9,559)	1,478,575
Total Fund Balance	\$1,630,590	\$338,804	\$1,969,394

Note 16 - 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 2014, the Educational Service Center paid \$47,335 to NWOCA for various services. Financial information can be obtained from NWOCA, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

Note 16 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 17 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Northern Buckeye Health Plan

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

C. 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 18 - 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 are 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, 2014.

B. Litigation

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

Supplemental Section

Northwest Ohio Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental			\$821,631	
Interest			6,559	
Tuition and Fees			15,215,305	
Customer Services			816,550	
Gifts and Donations			6,880	
Miscellaneous			56,759	
Total Revenues			<u>16,923,684</u>	
Expenditures:				
Current:				
Instruction:				
Regular	\$166,741	\$562,459	516,506	\$45,953
Special	5,867,152	9,715,681	9,154,470	561,211
Support Services:				
Pupils	4,355,390	4,560,366	4,218,969	341,397
Instructional Staff	5,371,618	1,709,669	1,582,417	127,252
Board of Education	105,772	106,087	81,287	24,800
Administration	611,147	546,481	500,668	45,813
Fiscal	449,669	499,471	477,936	21,535
Business	72,200	16,000	12,834	3,166
Operation and Maintenance of Plant	466,781	492,781	453,594	39,187
Pupil Transportation	99,061	119,752	93,295	26,457
Central	125,813	198,013	183,028	14,985
Non-Instructional Services	0	35,283	35,283	0
Total Expenditures	<u>17,691,344</u>	<u>18,562,043</u>	<u>17,310,287</u>	<u>1,251,756</u>
Excess of Revenues Under Expenditures	<u>(17,691,344)</u>	<u>(18,562,043)</u>	<u>(386,603)</u>	<u>18,175,440</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	0	0	48,771	48,771
Refund of Prior Year Receipts	(1,000)	(1,000)	0	1,000
Transfers Out	(50,000)	(9,000)	0	9,000
Total Other Financing Sources (Uses)	<u>(51,000)</u>	<u>(10,000)</u>	<u>48,771</u>	<u>58,771</u>
Changes in Fund Balance	(17,742,344)	(18,572,043)	(337,832)	18,234,211
Fund Balance at Beginning of Year	3,492,764	3,492,764	3,492,764	0
Prior Year Encumbrances Appropriated	\$122,843	\$122,843	122,843	0
Fund Balance at End of Year			<u>\$3,277,775</u>	<u>\$18,234,211</u>

See Accompanying Notes to the Supplemental Section

Northwest Ohio Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2014

	<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>\$2,944,294</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	\$2,762,729	\$2,936,677	2,936,677	\$0
Support Services:				
Non-Instructional Services	<u>7,326</u>	<u>7,617</u>	<u>7,617</u>	<u>0</u>
Total Expenditures	<u>2,770,055</u>	<u>2,944,294</u>	<u>2,944,294</u>	<u>0</u>
Changes in Fund Balance	(2,770,055)	(2,944,294)	0	2,944,294
Fund Balance at Beginning of Year	\$0	\$0	<u>0</u>	<u>0</u>
Fund Balance at End of Year			<u><u>\$0</u></u>	<u><u>\$2,944,294</u></u>

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

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

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

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

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

Note 2 - Budgetary Basis of Accounting

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

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

Northwest Ohio Educational Service Center
Notes to the Supplemental Section
For the Fiscal Year Ended June 30, 2014

Note 2 - Budgetary Basis of Accounting (continued)

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

	General Fund
GAAP Basis	\$201,270
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	67,899
Accrued FY 2014, Not Yet Received in Cash	(138,991)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(2,263,340)
Accrued FY 2014, Not Yet Paid in Cash	1,954,033
Unrecorded Cash Activity 2013	(3,888)
Unrecorded Cash Activity 2014	201
Materials and Supplies Inventory	608
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(155,624)
Budget Basis	(\$337,832)

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**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	\$ 840,966	\$ 861,840
Migrant Education Coordination Program	84.144		12,998
<u>Special Education Cluster (IDEA):</u>			
Special Education- Grants to States (IDEA. Part B)	84.027	2,944,294	2,944,294
Special Education- Grants to States (IDEA. Pre-School))	84.173	<u>172,261</u>	<u>172,261</u>
Total Special Education Cluster (IDEA)		<u>3,116,555</u>	<u>3,116,555</u>
English Language Acquisition State Grants	84.365	40,507	40,507
Improving Teacher Quality State Grants	84.367	25,725	24,758
Twenty-First Century Community Learning Centers	84.287	1,195,733	1,202,196
ARRA- Race to the Top Incentive Grants-Resident Educator Program	84.395	<u>1,750</u>	<u>1,750</u>
Total U.S. Department of Education		<u>5,221,236</u>	<u>5,260,604</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Health and Addiction Services:</i>			
Safe School Healthy Students - Preventive Health Services	93.243	<u>112,552</u>	<u>110,682</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 5,333,788</u>	<u>\$ 5,371,286</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Dave Yost • Auditor of State

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

Northwest Ohio Educational Service Center
Fulton County
205 Nolan Parkway
Archbold, Ohio 43502-8404

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, Ohio (the Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015



Dave Yost • Auditor of State

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

Northwest Ohio Educational Service Center
Fulton County
205 Nolan Parkway
Archbold, Ohio 43502-8404

To the Governing Board:

Report on Compliance for The Major Federal Program

We have audited Northwest Ohio Educational Service Center, Fulton County, Ohio's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Center's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Center's major federal program.

Management's Responsibility

The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for the Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on the Major Federal Program

In our opinion, Northwest Ohio Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on *OMB Circular A-133* requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

**NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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NORTHWEST OHIO EDUCATIONAL SERVICE CENTER

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**