



Dave Yost • Auditor of State



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Auglaize County Educational Service Center  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, Auglaize County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Auglaize County Educational Service Center, Auglaize County, Ohio, as of June 30, 2016, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the Educational Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedules of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General and Autism Funds present additional analysis and are also not a required part of the basic financial statements.

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

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

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

June 29, 2017

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

The management's discussion and analysis of the Auglaize County Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2016, within the limitations of the Educational Service Center's cash basis of accounting. 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 cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, assets of governmental activities increased \$261,608 which represents a 7.68% increase from 2015.
- General cash receipts accounted for \$500,917 or 4.98% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, operating grants and contributions accounted for \$9,565,069 or 95.02% of total governmental activities cash receipts of \$10,065,986.
- The Educational Service Center had \$9,804,378 in cash disbursements related to governmental activities; \$9,565,069 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily unrestricted grants and entitlements) of \$500,917 were adequate to provide for these programs.
- The Educational Service Center's major governmental funds are the general fund and the autism fund. The general fund had \$8,748,626 in cash receipts and \$8,314,284 in cash disbursements. During fiscal year 2016, the general fund's fund cash balance increased \$434,342 from \$3,357,170 to \$3,791,512.
- The autism fund had \$993,133 in cash receipts and \$1,068,613 in cash disbursements. During fiscal year 2016, the autism fund's fund cash balance decreased \$75,480 from a cash balance of \$42,334 to a deficit of \$33,146.

**Using these Cash Basis Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Educational Service Center's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Educational Service Center, the general fund and the autism fund are by far the most significant funds, and the only governmental funds reported as a major funds.

**Reporting the Educational Service Center as a Whole**

**Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis**

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position - cash basis and statement of activities - cash basis answer this question.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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(Continued)

These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Educational Service Center's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the Educational Service Center as a whole, the cash basis financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Educational Service Center's facility conditions, required educational programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis, the governmental activities include the Educational Service Center's programs and services, including instruction and support services.

The Educational Service Center's statement of net position - cash basis and statement of activities - cash basis can be found on pages 13-14 of this report.

**Reporting the Educational Service Center's Most Significant Funds**

***Fund Financial Statements***

The analysis of the Educational Service Center's major governmental funds begins on page 10. Fund financial reports provide detailed information about the Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's only major governmental funds are the general fund and the autism fund.

***Governmental Funds***

All of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the Educational Service Center is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities - cash basis due to advances between governmental funds being eliminated for reporting in the statement of activities - cash basis. The governmental fund statements can be found on pages 15-16 of this report.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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(Continued)

***Notes to the Cash Basis Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the cash basis basic financial statements can be found on pages 17-35 of this report.

***Budgetary Supplementary Information***

The ESC has presented a budgetary comparison schedule for the general fund and the autism fund as supplementary information on pages 37-39.

**The Educational Service Center as a Whole**

Recall that the statement of net position - cash basis provides the perspective of the Educational Service Center as a whole.

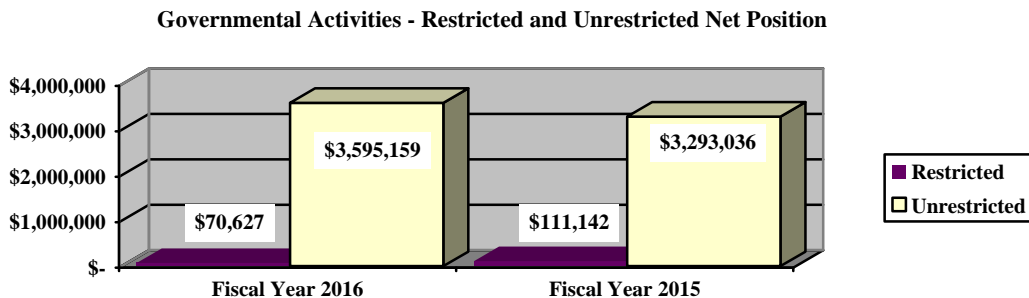
The table below provides a summary of the Educational Service Center's net cash position for 2016 and 2015.

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Equity in pooled cash and cash equivalents	\$ <u>3,665,786</u>	\$ <u>3,404,178</u>
<b><u>Net Position</u></b>		
Restricted	\$ 70,627	\$ 111,142
Unrestricted	<u>3,595,159</u>	<u>3,293,036</u>
Total net position	<u>\$ 3,665,786</u>	<u>\$ 3,404,178</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Educational Service Center's total net position was \$3,665,786.

A portion of the Educational Service Center's net position, \$70,627, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net position of \$3,595,159 may be used to meet the Educational Service Center's ongoing obligations to students and creditors.

The graph below presents the Educational Service Center's governmental activities restricted and unrestricted cash position for fiscal years 2016 and 2015.



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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(Continued)

The table below shows the change in net cash position for fiscal years 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities 2016	Governmental Activities 2015
<b><u>Cash Receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 7,827,117	\$ 6,993,645
Operating grants and contributions	1,737,952	2,105,621
General cash receipts:		
Grants and entitlements	339,636	375,388
Investment earnings	3,045	6,703
Miscellaneous	<u>158,236</u>	<u>182,881</u>
Total cash receipts	<u>10,065,986</u>	<u>9,664,238</u>
<b><u>Cash Disbursements</u></b>		
Program disbursements:		
Instruction:		
Regular	\$ 2,357,575	\$ 2,370,972
Special	3,080,235	2,927,825
Adult/continuing	154	-
Support services:		
Pupil	1,929,512	1,751,121
Instructional staff	336,875	313,379
Board of education	28,897	18,463
Administration	1,648,384	1,690,454
Fiscal	154,480	155,299
Operations and maintenance	173,074	145,273
Pupil transportation	63,108	63,604
Central	32,084	31,072
Intergovernmental	<u>-</u>	<u>203,614</u>
Total cash disbursements	<u>9,804,378</u>	<u>9,671,076</u>
Change in net position	<u>261,608</u>	<u>(6,838)</u>
Net position at beginning of year	<u>3,404,178</u>	<u>3,411,016</u>
Net position at end of year	<u>\$ 3,665,786</u>	<u>\$ 3,404,178</u>

**Governmental Activities**

Net position of the Educational Service Center's governmental activities increased \$261,608. Total governmental cash disbursements of \$9,804,378 were offset by program cash receipts of \$9,565,069 and general cash receipts of \$500,917. Program cash receipts supported 95.02% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from charges for services and sales. These cash receipts represent 77.76% of total governmental cash receipts.

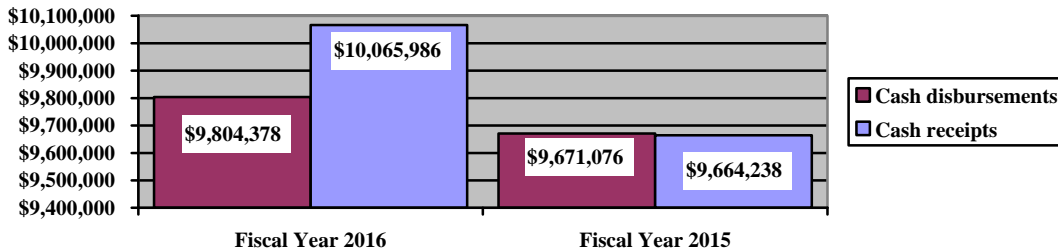
**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

The largest cash disbursement of the Educational Service Center is for instructional services. Instructional services cash disbursements totaled \$5,437,964 or 55.46% of total governmental cash disbursements for fiscal year 2016.

The graph below presents the Educational Service Center's governmental activities cash receipts and cash disbursements for fiscal years 2016 and 2015.

**Governmental Activities - Cash Receipts and Disbursements**



The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program cash disbursements</b>				
Instruction:				
Regular	\$ 2,357,575	\$ 137,859	\$ 2,370,972	\$ 281,405
Special	3,080,235	(229,874)	2,927,825	(62,319)
Adult/Continuing	154	154	-	-
Support services:				
Pupil	1,929,512	112,977	1,751,121	211,279
Instructional staff	336,875	30,299	313,379	30,885
Board of education	28,897	1,692	18,463	2,231
Administration	1,648,384	159,886	1,690,454	(136,031)
Fiscal	154,480	10,204	155,299	(24,925)
Operations and maintenance	173,074	10,641	145,273	54,452
Pupil transportation	63,108	1,897	63,604	7,683
Central	32,084	3,574	31,072	3,536
Intergovernmental	-	-	203,614	203,614
<b>Total cash disbursements</b>	<u>\$ 9,804,378</u>	<u>\$ 239,309</u>	<u>\$ 9,671,076</u>	<u>\$ 571,810</u>

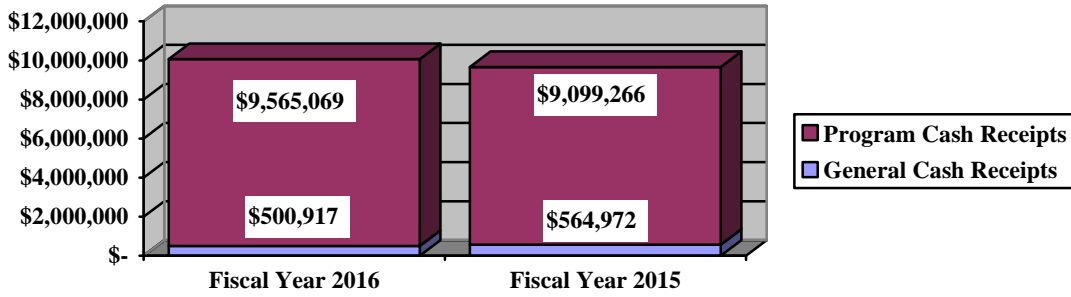
The Educational Service Center primarily depends upon charges for services provided by member districts; however, dependence upon other general cash receipts for governmental activities is apparent as 1.69% of instructional activities are supported through grants and entitlements (including State foundation) and other general cash receipts. For all governmental activities, general cash receipt support is 4.98%.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

The graph below presents the Educational Service Center's governmental activities cash receipts for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Cash Receipts**



**The Educational Service Center's Funds**

The Educational Service Center's governmental funds reported a combined fund cash balance of \$3,665,786, which is more than last year's total of \$3,404,178. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and 2015.

	Fund Cash Balance <u>June 30, 2016</u>	Fund Cash Balance <u>June 30, 2015</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 3,791,512	\$ 3,357,170	\$ 434,342	12.94 %
Autism	(33,146)	42,334	(75,480)	(178.30) %
Other Governmental	<u>(92,580)</u>	<u>4,674</u>	<u>(97,254)</u>	(2,080.74) %
Total	<u>\$ 3,665,786</u>	<u>\$ 3,404,178</u>	<u>\$ 261,608</u>	7.68 %

**General Fund**

The Educational Service Center's general fund cash balance increased \$434,342 during fiscal year 2016.

Customer services increased \$835,900, or 12.06% mainly due to the ESC providing more services to its customers during fiscal year 2016. Overall, revenues for the Educational Service Center increased \$786,357 or 9.88% in fiscal year 2016.

Support expenses increased \$229,196 or 8.42% from 2015 due to an increase in salaries to employees classified as pupil support services. Overall, expenses for the Educational Service Center increased \$368,657 or 4.64% in fiscal year 2016.

**Autism Fund**

The autism fund had \$993,133 in cash receipts and \$1,068,613 in cash disbursements. During fiscal year 2016, the autism fund's fund cash balance decreased \$75,480 from a cash balance of \$42,334 to a deficit of \$33,146.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

*Capital Assets*

The Educational Service Center does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

*Debt Administration*

The Educational Service Center had no debt obligations outstanding at June 30, 2016.

*Current Financial Related Activities*

The Ohio Department of Education received an extension through the U.S. Board of Education to extend the Race to the Top grant through fiscal year 2016. Once the grant is finalized the ESC will not renew the contracts for the employees that are currently funded by the program

*Contacting the Educational Service Center's Financial Management*

The financial report is designed to provide citizens, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money received. Questions about the report may be directed to: Kristy L. Weeks, Treasurer, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,665,786
Total assets. . . . .	3,665,786
 <b>Net position:</b>	
Restricted for:	
Locally funded programs . . . . .	7
State funded programs. . . . .	13
Federally funded programs . . . . .	3,178
Professional development. . . . .	67,340
Other purposes . . . . .	89
Unrestricted . . . . .	3,595,159
Total net position. . . . .	\$ 3,665,786

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Position Governmental Activities
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
	<b>Governmental activities:</b>			
Instruction:				
Regular . . . . .	\$ 2,357,575	\$ 2,179,837	\$ 39,879	\$ (137,859)
Special . . . . .	3,080,235	2,869,700	440,409	229,874
Other . . . . .	154	-	-	(154)
Support services:				
Pupil . . . . .	1,929,512	1,815,835	700	(112,977)
Instructional staff . . . . .	336,875	246,912	59,664	(30,299)
Board of education . . . . .	28,897	27,205	-	(1,692)
Administration . . . . .	1,648,384	334,523	1,153,975	(159,886)
Fiscal . . . . .	154,480	141,571	2,705	(10,204)
Operations and maintenance . . . . .	173,074	123,613	38,820	(10,641)
Pupil transportation . . . . .	63,108	59,411	1,800	(1,897)
Central . . . . .	32,084	28,510	-	(3,574)
<b>Total governmental activities . . . . .</b>	<b>\$ 9,804,378</b>	<b>\$ 7,827,117</b>	<b>\$ 1,737,952</b>	<b>(239,309)</b>
<b>General receipts:</b>				
Grants and entitlements not restricted to specific programs . . . . .				339,636
Investment earnings . . . . .				3,045
Miscellaneous . . . . .				158,236
<b>Total general receipts . . . . .</b>				<b>500,917</b>
<b>Change in net position . . . . .</b>				<b>261,608</b>
<b>Net position at beginning of year . . . . .</b>				<b>3,404,178</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 3,665,786</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Autism</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 3,791,512	\$ (33,146)	\$ (92,580)	\$ 3,665,786
Total assets . . . . .	<u>\$ 3,791,512</u>	<u>\$ (33,146)</u>	<u>\$ (92,580)</u>	<u>\$ 3,665,786</u>
<b>Fund balances:</b>				
Restricted:				
Education Management Information Systems . . . . .	\$ -	\$ -	\$ 13	\$ 13
Professional Development. . . . .	-	-	67,429	67,429
Other purposes. . . . .	-	-	7	7
Federally funded . . . . .	-	-	3,178	3,178
Assigned:				
Background checks. . . . .	8,655	-	-	8,655
Educational activities. . . . .	10,264	-	-	10,264
Professional Development. . . . .	43,827	-	-	43,827
Special Instruction. . . . .	371,063	-	-	371,063
Unpaid Obligations. . . . .	66,810	-	-	66,810
Unassigned (deficit) . . . . .	3,290,893	(33,146)	(163,207)	3,094,540
Total fund balances . . . . .	<u>\$ 3,791,512</u>	<u>\$ (33,146)</u>	<u>\$ (92,580)</u>	<u>\$ 3,665,786</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Autism</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
From local sources:				
Customer Services . . . . .	\$ 7,769,109	\$ -	\$ -	\$ 7,769,109
Earnings on investments . . . . .	3,045	-	-	3,045
Extracurricular . . . . .	13,365	-	-	13,365
Classroom materials and fees . . . . .	2,173	-	-	2,173
Rental income . . . . .	56,070	-	-	56,070
Contributions and donations . . . . .	2,557	-	1,699	4,256
Contract services . . . . .	478,600	-	-	478,600
Other local revenues . . . . .	84,071	-	31,500	115,571
Intergovernmental - state . . . . .	339,636	-	148,232	487,868
Intergovernmental - federal . . . . .	-	993,133	142,796	1,135,929
Total receipts . . . . .	<u>8,748,626</u>	<u>993,133</u>	<u>324,227</u>	<u>10,065,986</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,315,469	-	42,106	2,357,575
Special . . . . .	3,048,256	-	31,979	3,080,235
Other . . . . .	154	-	-	154
Support services:				
Pupil . . . . .	1,928,819	-	693	1,929,512
Instructional staff . . . . .	262,275	2,008	72,592	336,875
Board of education . . . . .	28,897	-	-	28,897
Administration . . . . .	355,338	1,024,835	268,211	1,648,384
Fiscal . . . . .	150,380	-	4,100	154,480
Operations and maintenance . . . . .	131,304	41,770	-	173,074
Pupil transportation . . . . .	63,108	-	-	63,108
Central . . . . .	30,284	-	1,800	32,084
Total disbursements . . . . .	<u>8,314,284</u>	<u>1,068,613</u>	<u>421,481</u>	<u>9,804,378</u>
Net change in fund balances . . . . .	434,342	(75,480)	(97,254)	261,608
<b>Fund balances at beginning of year . . . . .</b>	<u>3,357,170</u>	<u>42,334</u>	<u>4,674</u>	<u>3,404,178</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,791,512</u>	<u>\$ (33,146)</u>	<u>\$ (92,580)</u>	<u>\$ 3,665,786</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Auglaize County Educational Service Center (the “Educational Service Center”) is located in Wapakoneta, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Minster, New Bremen, New Knoxville, and Waynesfield-Goshen Local School Districts, the St. Marys and Wapakoneta City School Districts, Ada, Hardin Northern, Kenton, and Ridgemont schools in Hardin County, and the Auglaize County Educational Academy (community school). 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 Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 23 administrators, 111 classified employees, and 55 certified employees who provide services to the local and city school districts and the community school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Educational Service Center’s accounting policies.

**A. Reporting Entity**

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 Educational Service Center, this includes general operations and student-related activities.

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 Educational Service Center. There are no component units of the Educational Service Center.

The Educational Service Center is associated with two jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Schools of Ohio Risk Sharing Authority, Mercer-Auglaize Area School Employee Welfare Benefit Trust, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 10 and 11 to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. 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.

The statement of net position presents the cash balance of the governmental activities of the Educational Service Center at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the Educational Service Center's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Educational Service Center is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Educational Service Center's general receipts.

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. Non-major funds are aggregated and presented in a single column.

**C. 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. The Educational Service Center only has governmental funds.

*GOVERNMENTAL FUNDS*

The Educational Service Center classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The Educational Service Center's major funds are the general fund and the autism 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.

Autism Fund - The autism fund is used to account for IDEA B federal grants restricted to providing support services to teacher.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**D. Basis of Accounting**

The Educational Service Center's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Educational Service Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**E. Cash and Investments**

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this 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 2016, the Educational Service Center's investments were limited to US Government money market accounts.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2016 was \$3,045.

**F. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Educational Service Center.

**H. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for 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.

**J. 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:

Non-spendable - The non-spendable 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 Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned 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 Education. The Board of Education 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Flow-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as receipts and intergovernmental disbursements in a special revenue fund. For fiscal year 2016, this consisted of the Third Grade Reading and Preschool Handicapped special revenue funds.

**L. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value."

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the Educational Service Center has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Educational Service Center.

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AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Autism	\$ 33,146
 <u>Nonmajor funds</u>	
Alternative education	2,227
Miscellaneous state grants	90,984
Preschool grant for handicapped	30,519
Miscellaneous federal grants	39,477

These deficit cash balances resulted from a lag between disbursements made by the Educational Service Center and reimbursements from grantors and are allowable under Ohio Revised Code §3315.20.

**C. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Educational Service Center prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net cash position/fund cash balances, and disclosures that, while material, cannot be determined at this time. The Educational Service Center can be fined and various other administrative remedies may be taken against the Educational Service Center.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education 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:

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AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Deposits**

At June 30, 2016, the carrying amount of all the Educational Service Center deposits was \$2,646,943. Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,765,912 of the Educational Service Center's bank balance of \$3,015,913 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2016, the Educational Service Center had the following investments:

<u>Investment type</u>	<u>Total</u>	Investment Maturities 6 months or <u>less</u>
US Government Money Market	\$ <u>1,018,643</u>	\$ <u>1,018,643</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 matched to a specific obligation or debt of the Educational Service Center. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The US Government money market carries a rating of AAAM by Standard & Poor's. The Educational Service Center has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds in eligible securities must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,646,943
Investments	1,018,643
Cash with fiscal agent	<u>200</u>
Total	<u>\$ 3,665,786</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ <u>3,665,786</u>
Total	<u>\$ 3,665,786</u>

**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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - STATE FUNDING – (Continued)**

The Educational Service Center also receives funding from the State Department of Education, in the amount of \$27.00 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 settlements of each of the school districts served by the Educational Service Center an amount equal to \$6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

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

**NOTE 6 - 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 2016, the Educational Service Center contracted for the following insurance coverage.

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

General Liability	
Occurrence	\$ 15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000

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

For fiscal year 2016, 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 SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

The Educational Service Center participates in the Mercer-Auglaize Area School Employee Welfare Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Educational Service Center pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the Plan. 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. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - PENSION PLANS**

*Net Pension Liability*

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the Educational Service Center’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Educational Service Center’s obligation for this liability to annually required payments. The Educational Service Center cannot control benefit terms or the manner in which pensions are financed; however, the Educational Service Center does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

*Plan Description - School Employees Retirement System (SERS)*

Plan Description - The Educational Service Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was \$279,848 for fiscal year 2016.

***Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)***

Plan Description - Educational Service Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS Ohio was \$594,923 for fiscal year 2016.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - PENSION PLANS - (Continued)**

*Net Pension Liability*

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$3,699,126	\$11,267,254	\$14,966,380
Proportion of the net pension liability	0.064828%	0.0407686%	

*Actuarial Assumptions - SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - PENSION PLANS - (Continued)**

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Educational Service Center's proportionate share of the net pension liability	\$5,129,358	\$3,699,126	\$2,494,752

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - PENSION PLANS - (Continued)**

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Educational Service Center's net pension liability is expected to be significant.

***Actuarial Assumptions - STRS Ohio***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Educational Service Center's proportionate share of the net pension liability	\$15,651,066	\$11,267,254	\$7,560,088

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The Educational Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$32,921, \$48,323, and \$35,001, respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Educational Service Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$41,306, respectively; 100 percent has been contributed for fiscal year 2014.

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from State laws. Eleven and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to eleven and twelve-month employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-five days for all employees with ten or more years of service.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - OTHER EMPLOYEE BENEFITS – (Continued)**

**B. Health Care Benefits**

The Educational Service Center offers medical and dental insurance to most employees through the Mercer-Auglaize Area School Employee Welfare Benefit Trust. Vision insurance is offered through Vision Service Plan. In addition, the Educational Service Center offers life insurance through American United Life Insurance Company.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization**

The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of educational entities within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby 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 governing board of WOCO consists of two representatives from each county elected by majority vote of all charter educational entities within each county plus a representative from the fiscal agent educational entity. During fiscal year 2016, the Educational Service Center paid \$59,442 to WOCO for various services. Financial information can be obtained from the Treasurer, Western Ohio Computer Organization, 129 East Court Street, Sidney, Ohio 45365.

**B. Auglaize County Educational Academy**

The Educational Service Center is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts.

Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Wapakoneta, Ohio 45895.

**NOTE 11 - INSURANCE POOLS**

**A. Schools of Ohio Risk Sharing Authority**

The Educational Service Center 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, 655 Metro Place South, Dublin, Ohio 43017.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - INSURANCE POOLS - (Continued)**

**B. Mercer-Auglaize Area School Employee Welfare Benefit Trust**

The Educational Service Center participates in a public entity shared risk pool consisting of eleven school districts and two educational service centers. The Mercer-Auglaize Area School Employee Welfare Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

**C. Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

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

**NOTE 12 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2016.

**B. Litigation**

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

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
From local sources:				
Customer services . . . . .	\$ 7,360,000	\$ 8,860,000	\$ 7,767,420	\$ (1,092,580)
Earnings on investments . . . . .	8,000	8,000	3,045	(4,955)
Classroom materials and fees . . . . .	3,000	3,000	2,173	(827)
Rental income . . . . .	60,000	60,000	56,070	(3,930)
Contributions and donations . . . . .	20,000	20,000	1,000	(19,000)
Contract services. . . . .	504,301	504,301	61,008	(443,293)
Other local revenues . . . . .	199,199	324,199	501,638	177,439
Intergovernmental - state . . . . .	365,000	365,000	341,325	(23,675)
Total receipts . . . . .	<u>8,519,500</u>	<u>10,144,500</u>	<u>8,733,679</u>	<u>(1,410,821)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,287,170	2,287,170	2,319,663	(32,493)
Special. . . . .	2,900,000	3,150,000	3,037,582	112,418
Other. . . . .	1,000	1,000	154	846
Support services:				
Pupil. . . . .	1,710,000	1,945,000	1,932,598	12,402
Instructional staff . . . . .	222,000	262,000	261,324	676
Board of education . . . . .	31,000	31,000	32,386	(1,386)
Administration. . . . .	265,000	351,000	376,747	(25,747)
Fiscal . . . . .	171,000	171,000	153,305	17,695
Operations and maintenance. . . . .	113,000	158,000	155,808	2,192
Pupil transportation . . . . .	61,500	61,500	64,196	(2,696)
Central. . . . .	25,000	25,000	30,284	(5,284)
Total disbursements . . . . .	<u>7,786,670</u>	<u>8,442,670</u>	<u>8,364,047</u>	<u>78,623</u>
Excess of receipts over disbursements. . . . .	<u>732,830</u>	<u>1,701,830</u>	<u>369,632</u>	<u>(1,332,198)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	2,000	2,000	540	(1,460)
Refund of prior year's receipts. . . . .	(5,000)	(5,000)	-	5,000
Total other financing sources (uses). . . . .	<u>(3,000)</u>	<u>(3,000)</u>	<u>540</u>	<u>3,540</u>
Net change in fund balance . . . . .	729,830	1,698,830	370,172	(1,328,658)
<b>Fund balance at beginning of year . . . . .</b>	3,229,617	3,229,617	3,229,617	-
<b>Prior year encumbrances appropriated . . . . .</b>	89,856	89,856	89,856	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,049,303</u>	<u>\$ 5,018,303</u>	<u>\$ 3,689,645</u>	<u>\$ (1,328,658)</u>

SEE ACCOMPANYING NOTES TO THE BUDGETARY SCHEDULES

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
AUTISM FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental - federal . . . . .	\$ 1,015,976	\$ 1,015,976	\$ 993,133	\$ (22,843)
Total receipts . . . . .	<u>1,015,976</u>	<u>1,015,976</u>	<u>993,133</u>	<u>(22,843)</u>
<b>Disbursements:</b>				
Current:				
Support Services:				
Instructional staff . . . . .	2,000	2,000	2,076	(76)
Administration . . . . .	1,286,349	1,286,349	1,059,428	226,921
Operations and maintenance . . . . .	46,328	46,328	43,180	3,148
Total disbursements . . . . .	<u>1,334,677</u>	<u>1,334,677</u>	<u>1,104,684</u>	<u>229,993</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>(318,701)</u>	<u>(318,701)</u>	<u>(111,551)</u>	<u>207,150</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	31,893	31,893
Transfers (out) . . . . .	-	-	(31,893)	(31,893)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance . . . . .	(318,701)	(318,701)	(111,551)	207,150
<b>Fund balance at beginning of year . . . . .</b>	36,874	36,874	36,874	-
<b>Prior year encumbrances appropriated . . . . .</b>	5,460	5,460	5,460	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ (276,367)</u>	<u>\$ (276,367)</u>	<u>\$ (69,217)</u>	<u>\$ 207,150</u>

SEE ACCOMPANYING NOTES TO THE BUDGETARY SCHEDULES

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BUDGETARY SCHEDULES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 budgets for resources estimated to be received during the fiscal year. The estimated receipts may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts of the estimated receipts with the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated receipts in effect at the time final appropriations were passed by the Board.

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

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund and the Autism special revenue fund are prepared on the budgetary basis to provide a meaningful comparison to actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the general fund and the Autism special revenue fund were \$66,930 and \$36,071, respectively.

The adjustments necessary to convert the results of operations for the year on the budget basis to the Cash basis for the general fund and the Autism fund is as follows:

	<u>General fund</u>	<u>Autism fund</u>
Budget basis	\$ 370,172	\$ (111,551)
Funds budgeted elsewhere **	(2,760)	-
Adjustment for encumbrances	<u>66,930</u>	<u>36,071</u>
Cash basis	<u>\$ 434,342</u>	<u>\$ (75,480)</u>

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education</b>		
(Passed through Ohio Department of Education)		
Special Education Cluster:		
State Support Team Region 6		
Special Education_Grants to States	84.027	\$ 1,068,613
Auglaize County Educational Service Center		
Special Education_Preschool Grants	84.173	31,062
State Support Team Region 6		
Special Education_Preschool Grants	84.173	49,651
Total Special Education_Preschool Grants		<u>80,713</u>
Total Special Education Cluster		<u>1,149,326</u>
State Support Team Region 6		
Special Education-State Personnel Development	84.323	94,596
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top, Incentive Grants	84.395	2,439
ARRA - Race-to-the-Top, Early Learning Challenge	84.412	<u>11,718</u>
Total U.S. Department of Education		<u>1,258,079</u>
Total Expenditures of Federal Awards		<u>\$ 1,258,079</u>

*See accompanying notes to the Schedule of Expenditure of Federal Awards*

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Auglaize County Educational Service Center (the Educational Service Center's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Educational Service Center, it is not intended to and does not present the financial position or changes in net position of the Educational Service Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Educational Service Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – FEDERAL AWARDS EXPENDITURES ADMINISTERED FOR OTHER GOVERNMENTS**

The Educational Service Center applied for and administers grants on behalf of member school districts. The Educational Service Center reports these grants on their schedule of expenditures of federal awards and they are subject to audit during the Educational Service Center's annual audit according to the Uniform Guidance. Awards which were reported by the Educational Service Center that benefited member districts are as follows:

<b>School District</b>	<b>Fiscal Year 2016 Award Special Education</b>
Minster Local School District	\$6,135.87
New Bremen Local School District	7,124.29
New Knoxville Local School District	3,562.77
St. Marys City School District	23,821.84
Total Grant	\$40,644.77

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The Educational Service Center transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred from 2015 to 2016</u>
Special Education_Grants to States	84.027	\$312,366.67
Special Education-State Personnel Development	84.323	\$40,246.85
Special Education_Preschool Grants	84.173	\$1,295.04

**NOTE E – STATE SUPPORT TEAM REGION 6 (SST6)**

The State Support Team Region 6 (SST6) is an organization comprised of the Educational Service Centers in Allen, Auglaize, Champaign, Hardin, Logan, Mercer and Shelby Counties. The purpose of the organization is to assist schools to develop quality special education programs and services. The SST6 is funded through the Ohio Department of Education in the form of Special Education Grants to States and Special Education Preschool Grants federal grants. The Educational Service Center serves as fiscal agent for the State Support Team Region 6 and reports the activity within a special revenue funds the in the financial statements. The Federal grants are audited as part of the Educational Service Center and are separately identified on the Schedule of Expenditures of Federal Awards.

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# 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*

Auglaize County Educational Service Center  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Board of Education:

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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, Auglaize County, (the Educational Service Center) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated June 29, 2017, wherein we noted the Educational Service Center uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

**Compliance and Other Matters**

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

**Educational Service Center's Response to Finding**

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

**Purpose of this Report**

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 29, 2017



# 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 THE UNIFORM GUIDANCE

Auglaize County Educational Service Center  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Auglaize County Educational Service Center's (the Educational Service Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Auglaize County Educational Service Center's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Educational Service Center's major federal program.

### ***Management's Responsibility***

The Educational Service Center's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Educational Service Center's compliance for the Educational Service 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Educational Service 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 Educational Service Center's major program. However, our audit does not provide a legal determination of the Educational Service Center's compliance.

***Opinion on the Major Federal Program***

In our opinion, the 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, 2016.

***Report on Internal Control Over Compliance***

The Educational Service 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 Educational Service 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 the Uniform Guidance, 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 Educational Service Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program'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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 29, 2017

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 C.F.R. § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: <ul style="list-style-type: none"> <li>• Special Education_Grants to States: CFDA #84.027</li> <li>• Special Education_Preschool Grants: CFDA #84.173</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 C.F.R. § 200.520?</b>	No

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

**FINDING NUMBER 2016-001**

**Noncompliance - Failure to File GAAP**

**Ohio Rev. Code § 117.38** provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

**Ohio Admin. Code § 117-2-03(B)** requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Educational Service Center prepared its financial statements for fiscal year 2016 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the Educational Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Educational Service Center should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the Educational Service Center's financial condition.

**Officials' Response:**

Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash-basis is a better way to allocate those funds.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None.**

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material Weakness – Accuracy of Financial Reporting	Corrective action taken and finding has been fully corrected.	Account classifications have been modified/changed.
2015-002	<b>Ohio Rev. Code §117.38</b> and <b>Ohio Admin. Code 117-2-03(B)</b> – Failure to file Financial Statements in Accordance with Generally Accepted Accounting Principles	No	Repeated as Finding 2016-001. We file on a cash basis.
2015-003	Noncompliance/Material Weakness – <b>34 CFR §80.20(b)(7)</b> and <b>§80.21(b)</b> – Funds Requested by the ODE were not Spent Within the Time Allowed	Corrective action taken and finding has been fully corrected.	Materials and professional development were requested, so the money was requested. Materials and professional development were then canceled. We don't request any money now until after the payment has been made.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash-basis is a better way to allocate those funds.	N/A	Kristy Weaks, Treasurer





# Dave Yost • Auditor of State

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER**

**AUGLAIZE 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  
AUGUST 22, 2017**