



Dave Yost • Auditor of State

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

Ohio Administrative Code § 117-2-03 (B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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, 2011, and the respective changes in cash financial position, thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 4, during fiscal year 2011, the Auglaize Educational Service Center adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

We conducted our audit to opine on the Center's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The budgetary comparison schedules for the General Fund and the Autism Fund provide additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and schedules provide additional information, but are not part of the basic financial statements. However these tables and the schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 14, 2012

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of Auglaize County Educational Service Center's financial performance provides an overview of the Educational Service Center's financial activities for the fiscal year ended June 30, 2011, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole.

USING THIS ANNUAL REPORT

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

The Educational Service Center has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the Educational Service Center's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole Educational Service Center.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for 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 a single column. For the Auglaize County Educational Service Center, the General Fund and the Autism special revenue fund are the most significant funds.

REPORTING THE EDUCATIONAL SERVICE CENTER AS A WHOLE

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the Educational Service Center at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the Educational Service Center's governmental activities. 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Educational Service Center's general receipts.

These statements report the Educational Service Center's cash position and the changes in cash position. Factors which contribute to these changes may also include the Educational Service Center's facility conditions, required educational programs, and other factors.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

REPORTING THE EDUCATIONAL SERVICE CENTER'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Autism special revenue fund.

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

THE EDUCATIONAL SERVICE CENTER AS A WHOLE

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

**Table 1
Net Assets**

	2011	2010 (restated)	Change
Assets:			
Cash and Cash Equivalents	\$2,295,732	\$1,801,301	\$494,431
Net Assets:			
Restricted	79,454	10,342	69,112
Unrestricted	2,216,278	1,790,959	425,319
Total Net Assets	\$2,295,732	\$1,801,301	\$494,431

Total net assets increased 27 percent. The increases were due to receiving funding in fiscal year 2011 to cover fiscal year 2010 costs.

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

**Table 2
Change in Net Assets**

	2011	2010 (restated)	Change
Receipts:			
Program Receipts:			
Charges for Services	\$6,234,292	\$5,735,579	\$498,713
Operating Grants and Contributions	2,759,675	2,170,658	589,017
Total Program Receipts	8,993,967	7,906,237	1,087,730
General Receipts:			
Grants and Entitlements`	268,710	268,860	(150)
Interest	8,695	11,151	(2,456)
Miscellaneous	194,037	104,781	89,256
Total General Receipts	471,442	384,792	86,650
Total Receipts	9,465,409	8,291,029	1,174,380

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	<u>2011</u>	<u>2010 (restated)</u>	<u>Change</u>
Disbursements:			
Instruction:			
Regular	1,448,837	1,572,632	123,795
Special	3,363,910	3,169,464	(194,446)
Support Services:			
Pupils	1,608,634	1,582,167	(26,467)
Instructional Staff	355,114	374,249	19,135
Board of Education	33,958	10,417	(23,541)
Administration	1,649,531	1,756,982	107,451
Fiscal	255,916	237,138	(18,778)
Operation and Maintenance of Plant	112,445	114,031	1,586
Pupil Transportation	64,401	60,677	(3,724)
Central	24,602	41,375	16,773
Intergovernmental	53,630		(53,630)
Debt Service:			
Principal Retirement		4,800	4,800
Total Disbursements	<u>8,970,978</u>	<u>8,923,932</u>	<u>(47,046)</u>
Increase (Decrease) in Net Assets	494,431	(632,903)	1,127,334
Net Assets at Beginning of Year	<u>1,801,301</u>	<u>2,434,204</u>	<u>(632,903)</u>
Net Assets at End of Year	<u>\$2,295,732</u>	<u>\$1,801,301</u>	<u>\$494,431</u>

Program receipts during fiscal year 2011 represented 95 percent of total receipts which is consistent with fiscal year 2010. The program receipts are primarily charges for services that represented charges for educational instruction programs and support services provided to the school districts served by the Educational Service Center. The Educational Service Center provides services to two city school districts, four local school districts, and a community school. Operating grants and contributions increased as state and federal grants were requested to cover costs from fiscal year 2010.

There was an insignificant change in overall disbursements in fiscal year 2011. There was an increase in special instruction disbursements from employing additional personnel to cover the needs of the Auglaize County Educational Academy. Overall support services disbursements decreased with the most significant decrease in administration for the cost of an interim superintendent in fiscal year 2010. Central support services are related to costs associated with internet costs. The board of education support services increased from costs relating to litigation. Intergovernmental disbursements included a reimbursement to the Auglaize County Special Needs School for overpayment of excess costs and to the State for not spending a grant.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$1,448,837	\$1,572,632	\$1,130,006	\$1,280,375
Special	3,363,910	3,169,464	(4,735,993)	(3,787,544)
Support Services:				
Pupils	1,608,634	1,582,167	1,180,363	1,011,755
Instructional Staff	355,114	374,249	355,114	374,249
Board of Education	33,958	10,417	33,958	10,417
Administration	1,649,531	1,756,982	1,649,531	1,756,982
Fiscal	255,916	237,138	216,231	211,157
Operation and Maintenance of Plant	112,445	114,031	112,445	114,031
Pupil Transportation	64,401	60,677	48,430	46,293
Central	24,602	41,375	(66,504)	(4,820)
Extracurricular Activities			(200)	
Intergovernmental	53,630		53,630	
Debt Service:				
Principal Retirement		4,800		4,800
Total Disbursements	\$8,970,978	\$8,923,932	\$ 22,989	\$1,017,695

Program receipts provided for almost all of the Educational Service Center's costs for services which is a significant change from fiscal year 2010. The Educational Service Center made a significant number of drawdowns on grants that related to costs associated with the prior fiscal year.

THE EDUCATIONAL SERVICE CENTER'S FUNDS

The Educational Service Center's governmental funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased by 12 percent. Receipts associated with excess costs charged to the various school districts increased and disbursements decreased slightly.

Fund balance in the Autism special revenue fund increased as receipts were drawn down in fiscal year 2011 for disbursements that occurred in fiscal year 2010.

CURRENT ISSUES

The Educational Service Center received additional grants in fiscal year 2012 that provides for the employment of two additional employees that will be trained by the Ohio Department of Education on how to train employees of participating school districts in the Race to the Top program.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Educational Service Center's finances for all those interested in our Educational Service Center's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Kristy L. Weaks, Treasurer, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,295,732</u>
Net Assets:	
Restricted for:	
Other Purposes	79,454
Unrestricted	<u>2,216,278</u>
Total Net Assets	<u><u>\$2,295,732</u></u>

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$1,448,837	\$177,798	\$141,033	(\$1,130,006)
Special	3,363,910	5,502,707	2,597,196	4,735,993
Support Services:				
Pupils	1,608,634	428,271		(1,180,363)
Instructional Staff	355,114			(355,114)
Board of Education	33,958			(33,958)
Administration	1,649,531			(1,649,531)
Fiscal	255,916	39,685		(216,231)
Operation and Maintenance of Plant	112,445			(112,445)
Pupil Transportation	64,401		15,971	(48,430)
Central	24,602	85,831	5,275	66,504
Extracurricular Activities			200	200
Intergovernmental	53,630			(53,630)
Total Governmental Activities	<u>\$8,970,978</u>	<u>\$6,234,292</u>	<u>\$2,759,675</u>	<u>22,989</u>
General Receipts:				
Grants and Entitlements not Restricted to Specific Programs				268,710
Interest				8,695
Miscellaneous				194,037
Total General Receipts				<u>471,442</u>
Change in Net Assets				494,431
Net Assets at Beginning of Year - Restated (Note 4)				<u>1,801,301</u>
Net Assets at End of Year				<u>\$2,295,732</u>

See accompanying notes to the basic financial statements

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Autism	Other Governmental	Total
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,272,245	(\$54,291)	\$77,778	\$2,295,732
Fund Balances:				
Restricted			\$79,454	\$79,454
Assigned	258,859			258,859
Unassigned (Deficit)	2,013,386	(54,291)	(1,676)	1,957,419
Total Fund Balances (Deficit)	\$2,272,245	(\$54,291)	\$77,778	\$2,295,732

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Autism</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:				
Intergovernmental	\$979,573	\$1,119,858	\$927,754	\$3,027,185
Interest	8,695			8,695
Tuition and Fees	390,018			390,018
Customer Services	5,844,274			5,844,274
Miscellaneous	162,937		32,300	195,237
Total Receipts	<u>7,385,497</u>	<u>1,119,858</u>	<u>960,054</u>	<u>9,465,409</u>
Disbursements				
Current:				
Instruction:				
Regular	1,387,203		61,634	1,448,837
Special	3,216,017		147,893	3,363,910
Support Services:				
Pupils	1,525,980		82,654	1,608,634
Instructional Staff	181,245	132,935	40,934	355,114
Board of Education	33,958			33,958
Administration	388,169	805,363	455,999	1,649,531
Fiscal	198,484	39,114	18,318	255,916
Operation and Maintenance of Plant	70,812	37,633	4,000	112,445
Pupil Transportation	64,401			64,401
Central	21,842	485	2,275	24,602
Intergovernmental	48,923		4,707	53,630
Total Disbursements	<u>7,137,034</u>	<u>1,015,530</u>	<u>818,414</u>	<u>8,970,978</u>
Excess of Receipts Over Disbursements	<u>248,463</u>	<u>104,328</u>	<u>141,640</u>	<u>494,431</u>
Other Financing Sources (Uses):				
Transfers In	3,500	187		3,687
Transfers Out	(187)		(3,500)	(3,687)
Total Other Financing Sources (Uses)	<u>3,313</u>	<u>187</u>	<u>(3,500)</u>	
Changes in Fund Balances	251,776	104,515	138,140	494,431
Fund Balances (Deficit) at Beginning of Year - Restated (Note 4)	<u>2,020,469</u>	<u>(158,806)</u>	<u>(60,362)</u>	<u>1,801,301</u>
Fund Balances (Deficit) at End of Year	<u>\$2,272,245</u>	<u>(\$54,291)</u>	<u>\$77,778</u>	<u>\$2,295,732</u>

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING 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, 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 thirteen administrators, eighty-seven classified employees, and fifty-six certified employees who provide services to the local and city school districts and the community school.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the 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. 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 School Employee Benefit Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Educational Service Center's accounting policies.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government.

The statement of net assets 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.

2. 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. Fiduciary funds are reported by type.

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Educational Service Center only has governmental funds.

1. Governmental Funds

The Educational Service Center classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The Educational Service Center's major funds are the General Fund and the Autism special revenue fund.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. 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 on 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 on the financial statements.

D. 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 2011, the Educational Service Center's investments were limited to nonnegotiable certificates of deposit.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$8,695 of which \$308 was assigned from other Educational Service Center funds.

E. Capital Assets

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

F. 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.

G. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include federal and state grants. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 is 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. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2011, this consisted of the Title III and Preschool Handicapped special revenue funds.

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The Center can be fined and various other administrative remedies may be taken against the Center.

4. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

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

	General	Autism	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,979,369	(\$188,964)	(\$37,476)	\$1,752,929
Change in Fund Structure	41,100	30,158	(22,886)	48,372
Adjusted Fund Balance at June 30, 2010	<u>\$2,020,469</u>	<u>(\$158,806)</u>	<u>(\$60,362)</u>	<u>\$1,801,301</u>

The restatement had the following effect on net assets:

	Governmental Activities	Private Purpose Trust
Net Assets June 30, 2010	\$1,752,929	\$48,372
Change in Fund Structure	48,372	(48,372)
Adjusted Net Assets at June 30, 2010	<u>\$1,801,301</u>	<u>\$ 0</u>

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. ACCOUNTABILITY

At June 30, 2011, the Autism and Title II special revenue funds had deficit fund balances of \$54,291 and \$1,676, respectively, resulting from disbursements in excess of receipts.

6. 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:

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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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.

7. STATE FUNDING

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

The Educational Service Center also receives funding from the State Department of Education, in the amount of \$37.00 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the Educational Service Center an amount equal to \$6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

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

8. RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, 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	\$3,000,000
Aggregate	5,000,000
Automobile Liability	3,000,000
Building and Contents	3,695,283

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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

For fiscal year 2011, 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 School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven 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 (GRP), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompMangement, Inc. provides administrative, cost control, and actuarial services to the plan.

9. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$415,588 and \$8,934 for the fiscal year ended June 30, 2011, \$471,889 and \$14,547 for the fiscal year ended June 30, 2010, and \$470,335 for the fiscal year ended June 30, 2009. For fiscal year 2011, 88 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$13,224 made by the Educational Service Center and \$9,446 made by the plan members. In addition, member contributions of \$6,381 were made for fiscal year 2011 for the defined contribution portion of the CP.

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$193,633, \$209,728, and \$142,634, respectively. For fiscal year 2011, 87 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

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

10. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$33,673, \$39,109, and \$37,136, respectively. For fiscal year 2011, 88 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the Educational Service Center paid \$24,840 in surcharge.

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

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$23,446, \$7,549, and \$65,276, respectively. For fiscal year 2011, 87 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$12,461, \$12,472, and \$11,769, respectively. For fiscal year 2011, 87 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

11. 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 classified employees with ten or more years of service. Certified employees with five or more years of service are entitled to one-fourth of accrued but unused sick leave credit to a maximum of forty-five days upon retirement.

B. Health Care Benefits

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. FUND BALANCE

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

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

<u>Fund Balance</u>	<u>General</u>	<u>Autism</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Education Management				
Information Systems			\$ 2,350	\$ 2,350
Preschool			6,722	6,722
Professional Development			55,918	55,918
Regular Instruction			14,464	14,464
Total Restricted			<u>79,454</u>	<u>79,454</u>
Assigned for:				
Background Checks	\$ 8,292			8,292
Educational Activities	6,909			6,909
Professional Development	25,417			25,417
Special Instruction	159,070			159,070
Unpaid Obligations	59,171			59,171
Total Assigned for	<u>258,859</u>			<u>258,859</u>
Unassigned (Deficit)	<u>2,013,386</u>	<u>(\$54,291)</u>	<u>(1,676)</u>	<u>1,957,419</u>
Total Fund Balance (Deficit)	<u>\$2,272,245</u>	<u>(\$54,291)</u>	<u>\$77,778</u>	<u>\$2,295,732</u>

13. INTERFUND TRANSFERS

During fiscal year 2011, the General Fund made transfers to the Autism Fund, in the amount of \$187, to subsidize activities.

Other governmental funds made transfers, in the amount of \$3,500, to the General Fund to close out a fund.

14. 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 2011, the Educational Service Center paid \$31,346 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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, Suite 2, Wapakoneta, Ohio 45895.

15. 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.

B. Mercer Auglaize School Employee 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 School Employee Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington National 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 JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

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

The Educational Service Center 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 (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP'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 GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

16. CONTINGENCIES

A. Grants

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

B. Litigation

The Educational Service Center is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations. As of the date of these financial statements, the Educational Service Center is uncertain what impact the litigation may have on its financial status.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts:				
Intergovernmental	\$1,200,000	\$1,200,000	\$979,573	(\$220,427)
Interest	6,000	6,000	8,695	2,695
Tuition and Fees			390,018	390,018
Customer Services	5,458,000	5,458,000	5,844,274	386,274
Miscellaneous	107,400	107,400	162,937	55,537
Total Receipts	6,771,400	6,771,400	7,385,497	614,097
Disbursements:				
Current:				
Instruction:				
Regular	1,446,162	1,446,162	1,394,393	51,769
Special	3,229,801	3,247,291	3,227,949	19,342
Other	1,000	1,000	260	740
Support Services:				
Pupils	1,571,086	1,550,000	1,532,726	17,274
Instructional Staff	138,543	188,000	192,864	(4,864)
Board of Education	19,539	44,000	39,104	4,896
Administration	492,009	422,681	393,639	29,042
Fiscal	194,900	220,834	200,503	20,331
Operation and Maintenance of Plant	87,119	91,200	77,031	14,169
Pupil Transportation	80,000	86,100	78,542	7,558
Central	23,200	23,200	29,670	(6,470)
Intergovernmental	58,171	58,171	48,923	9,248
Total Disbursements	7,341,530	7,378,639	7,215,604	163,035
Excess of Receipts Over (Under) Disbursements	(570,130)	(607,239)	169,893	777,132
Other Financing Sources (Uses):				
Transfers In			3,500	3,500
Transfers Out			(187)	(187)
Total Other Financing Sources (Uses)			3,313	3,313
Changes in Fund Balance	(570,130)	(607,239)	173,206	780,445
Fund Balance at Beginning of Year (restated)	1,896,617	1,896,617	1,896,617	
Prior Year Encumbrances Appropriated (restated)	123,852	123,852	123,852	
Fund Balance at End of Year	\$1,450,339	\$1,413,230	\$2,193,675	\$780,445

See accompanying notes to the supplemental section.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**BUDGETARY COMPARISON SCHEDULE
AUTISM FUND
FOR THE FISCAL YEAR END JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$1,147,010	\$1,147,010	\$1,119,858	(\$27,152)
Disbursements:				
Current:				
Support Services:				
Instructional Staff	157,940	157,940	132,935	25,005
Administration	775,533	775,533	805,363	(29,830)
Fiscal	39,114	39,114	39,114	
Operation and Maintenance of Plant	36,300	36,300	37,633	(1,333)
Central	2,000	2,000	485	1,515
Total Disbursements	<u>1,010,887</u>	<u>1,010,887</u>	<u>1,015,530</u>	<u>(4,643)</u>
Excess of Receipts Over Disbursements	136,123	136,123	104,328	(31,795)
Other Financing Sources:				
Transfers In			187	187
Changes in Fund Balance	136,123	136,123	104,515	(31,608)
Fund Balance (Deficit) at Beginning of Year (restated)	(169,833)	(169,833)	(169,833)	
Prior Year Encumbrances Appropriated	11,027	11,027	11,027	
Fund Balance (Deficit) at End of Year	<u>(\$22,683)</u>	<u>(\$22,683)</u>	<u>(\$54,291)</u>	<u>(\$31,608)</u>

See accompanying notes to the supplemental section.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 revenues 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 when 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 appropriations 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.

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Education			
(Passed through Ohio Department of Education)			
English Language Acquisition Grants	84.365	\$100,693	\$96,474
<i>Special Education Cluster:</i>			
ARRA Special Education—Preschool Grants (IDEA Preschool) - Recovery Act	84.392	53,936	51,634
Auglaize County Educational Service Center Special Education Preschool Grants	84.173	119,410	56,275
State Support Team Region 6 Special Education Preschool Grants	84.173	<u>32,513</u>	<u>36,860</u>
Total Special Education Preschool Grants		151,923	93,135
State Support Team Region 6 Special Education Grants to States	84.027	<u>1,111,238</u>	<u>1,015,530</u>
Total Special Education Cluster		<u>1,317,097</u>	<u>1,160,299</u>
State Support Team Region 6 Special Education State Personnel Development	84.323	96,715	95,271
Improving Teacher Quality State Grants	84.367		1,676
ARRA Title I Grants to Local Educational Agencies - Recovery Act	84.389	<u>2,684</u>	
Total U.S. Department of Education		<u>1,517,189</u>	<u>1,353,720</u>
Total Federal Financial Assistance		<u>\$1,517,189</u>	<u>\$1,353,720</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FEDERAL AWARDS EXPENDITURES ADMINISTERED FOR OTHER GOVERNMENTS

The Center applies for and administers grants on behalf of member school districts. The Center reports these grants on their schedule of federal awards expenditure programs and they are subject to audit during the Center's annual audit according to the Single Audit Act (A-133). Awards which were reported by the Center which benefit member districts are as follows:

District	Fiscal Year 2011 Award Amount Special Education Preschool Grant
Minster Local School District	\$ 5,628
New Bremen Local School District	6,753
New Knoxville Local School District	3,377
St Marys City School District	23,072
Wapakoneta City School District	17,445
Total Grant	\$56,275

District	Fiscal Year 2011 Award Amount English Language Acquisition Grant
Ada Exempted Village School District	\$ 5,974
Bath Local School District	4,834
Bellefontaine City School District	13,134
Bluffton Exempted Village School District	1,207
Celina City School District	7,636
Continental Local School District	683
Elida Local School District	6,027
Fort Recovery Local School District	1,594
Leipsic Local School District	14,709
Lima City School District	8,214
Ottawa-Glandorf Local School District	6,371
Pandora-Gilboa Local School District	4,238
Perry Local School District	435
Riverdale Local School District	525
Shawnee Local School District	4,080
St Henry Local School District	477
St Marys City School District	7,054
Triad Local School District	683
Urbana City School District	1,789
Wapakoneta City School District	6,810
Total Grant	\$96,474

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

NOTE C - 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. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Special Education Grants to States	84.173	\$ 8,620
Special Education State Personnel Development	84.323	1,523

NOTE D – 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 (Title VI-B) federal grants. The Auglaize County Educational Service Center serves as fiscal agent for the State Support Team Region 6 and reports the activity within a special revenue fund in the financial statements. The Federal grants are audited as part of the Center and are separately identified on the Schedule of Federal Awards Receipts and Expenditures.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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
Wapakoneta, Ohio 45895

To the Board of Education:

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

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

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



Dave Yost
Auditor of State

March 14, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

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

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

In our opinion, the Auglaize County Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-03.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-03 to be a material weakness.

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

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



Dave Yost
Auditor of State

March 14, 2012

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<p>Special Education Cluster</p> <ul style="list-style-type: none"> • Special Education Grants to States-CFDA #84.027 • Special Education Preschool Grants-CFDA #84.173 • ARRA - Special Education Preschool Grants Recovery Act, CFDA #84.392
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2011-01

Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin Code Section 117-2-03 (B) requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Center prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Center should prepare the annual financial statements according to generally accepted accounting principles to provide the users with more meaningful financial statements.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2011-02

Finding For Recovery – Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2011, an employee attended training requiring an overnight stay and was reimbursed by the Service Center for lodging and meal expenses. The amount reimbursed to the employee included \$7.00 for the purchase of an alcoholic beverage, which is not a proper public purpose.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code 117.28**, a Finding for Recovery of public monies illegally expended is hereby issued against Valerie Robb, in the total amount of \$7.00 and in favor of the Service Center's SST6 GRF FY11 Fund. The employee repaid the Service Center the \$7.00 to the Service Center's SST6 GRF FY11 Fund on June 28, 2011 through a deduction from another reimbursement on Service Center voucher number 22783.

**Finding 2011-02
 (Continued)**

The Service Center should review its travel reimbursement policy outlining the types of travel authorized, allowable and unallowable expenses, limitations on the amount of travel reimbursement and types of supporting documentation required for reimbursement. Further, all travel expenses should be reviewed for compliance with the policy. The Service Center should utilize Chapter 7, Section 7-3, of the Ohio Compliance Supplement, as an aid in assuring compliance with this policy.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the finding reported above.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-03
CFDA Title and Number	Special Education Cluster: Special Education Grants to States-CFDA #84.027 Special Education Preschool Grants-CFDA #84.173 ARRA - Special Education Preschool Grants Recovery Act, CFDA #84.392
Federal Award Number / Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness

Accuracy of the Schedule of Federal Receipts and Expenditures

OMB Circular A-133, Subpart C, Section 300(d), requires the auditee to prepare the schedule of federal awards expenditures for the period covered by the Center's financial statements. The Center prepared a schedule of federal awards receipts and expenditures (the Schedule) which included the following errors:

- Expenditures for the Special Education Grants to States (Autism Fund 516.9011) FY 2011 CFDA 84.027 was understated on the Center's Schedule – it was presented as \$106,887 (representing the June 2011 MTD expenditures) and should have presented as \$1,006,718 (the total fiscal year 2011 expenditures) per the FINSUM. As a result of this error, total expenditures for CFDA 84.027 was understated by \$899,831 and the Schedule's total federal award expenditures were understated by 66.5%.
- The Improving Teacher Quality State Grants (Fund 590) CFDA 84.367A expenditures of \$1,676 were not included on the Schedule.
- Receipts included prior year correcting entry of \$30,345 for the Special Education Grants to States (Fund 516.9010) FY 2010 CFDA 84.027.
- Receipts and expenditures included interfund transfers of \$10,143: \$8,620 for the Special Education Grants to States from FY 2010 (Fund 516.9010) to FY 2011 (Fund 516.9011) CFDA 84.027 and \$1,523 Special Education State Personnel Development CFDA 84.323 from FY 2010 (599.9740) to FY 2011 (Fund 599.9741).
- The Schedule included within this report includes all the necessary revisions based on the items outlined above.

**Finding 2011-03
(Continued)**

The failure to accurately present receipts and expenditures in the Schedule resulted in material reporting errors. A materially misstated Schedule could result in the Center become a high risk auditee in subsequent fiscal years or other actions being taken by federal grantor agencies.

Procedures should be implemented to help assure an accurate Schedule is prepared for each year. One such procedure would be to provide for the accuracy and completeness of the Schedule is to reconcile data to the Center's accounting records. In addition, the Ohio Department of Education Federal Subsidy Report or CCIP could be reconciled to the total revenue reported on the Schedule.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the finding reported above.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – failed to prepare financial statements in accordance with GAAP.	No	Repeated as Finding 2011-01
2010-02	34 CFR 80.20(b)(1) - failed to correctly record grant activity and to prepare accurate reports for the Special Education grants.	Yes	

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	The following will be completed to make sure that Receipts and Expenditures are accurately stated. We will reconcile with through the CCIP and by the Federal Subsidy report, to verify the actual money received and expended.	7/1/11	Kristy Weaks, Treasurer



Dave Yost • Auditor of State

AUGLAIZE 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
MAY 10, 2012**