



Dave Yost • Auditor of State



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ashtabula County Educational Service Center  
Ashtabula County  
4200 State Road  
Ashtabula, Ohio 44004

To the Governing Board:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula County Educational Service Center, Ashtabula County, Ohio (the Service Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula County Educational Service Center, Ashtabula County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Service Center's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net assets, changes in net assets, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

These tables, budgetary comparisons and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables, budgetary comparisons and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables, budgetary comparisons and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables, budgetary comparison for the General and IDEA Part B funds and the Schedule are 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, and budgetary comparison schedules, we applied no procedures to any other information in Management's Discussion & Analysis or Budgetary Comparison schedules, and we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control over financial reporting and compliance.

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

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

November 13, 2014

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**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2014*  
*Unaudited*

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This discussion and analysis of the Ashtabula County Educational Service Center's (the Service Center) financial performance provides an overall review of the Service Center's financial activities for the fiscal year ended June 30, 2014, within the limitations of the Service Center's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Service Center's financial performance.

### **Highlights**

Key highlights for 2014 are as follows:

- The Service Center is having continued success with programs initiated in fiscal year 2010. These programs include, but are not limited to, OT/PT services, Autism Unit Program, Building Bridges II Program as well as School Improvement Academic Coaching services.
- Net position of governmental activities increased from fiscal year 2013. This increase is a result of Buckeye Local School District now paying for employees that had been previously paid through the Service Center as well as employees leaving the Service Center and hiring new employees at a lower wage.
- Total receipts were comprised of general receipts and program specific receipts from charges for services and operating grants and contributions.
- The general fund had receipts that exceeded disbursements by \$610,036.
- The IDEA Part-B special revenue fund had receipts that exceeded disbursements which offset a prior year advance returned to the general fund causing a \$64,184 net effect.

### **Using the Basic Financial Statements**

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 Service Center's cash basis of accounting.

### **Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the Service Center as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Service Center as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2014*  
*Unaudited*

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### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The 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. Under the Service Center's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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.

### **Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Service Center did financially during 2014 within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Service Center at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 Service Center's general receipts.

These statements report the Service Center's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Service Center's financial health. Over time, increases or decreases in the Service Center's cash position is one indicator of whether the Service Center's financial health is improving or deteriorating. When evaluating the Service Center's financial condition, you should also consider other nonfinancial factors as well, such as the condition of the Service Center's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

The statement of net position and the statement of activities usually distinguish between those activities of the Service Center that are governmental and those that are considered business-type. The Service Center, however, has no business-type activities.

***Governmental Activities:*** Most of the Service Center's basic services are reported here, including instructional and support services. State and federal grants and charges for services finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

### **Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Service Center's major funds – not the Service Center as a whole. The Service Center establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Service Center are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Service Center's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Service Center's governmental

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2014*  
*Unaudited*

operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Service Center's programs. The Service Center's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Service Center's major governmental funds are the general fund and IDEA Part-B special revenue fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**The Service Center as a Whole**

Table 1 provides a summary of the Service Center's net position for 2014 compared to 2013 on a cash basis:

(Table 1)  
**Net Position**  
**Governmental Activities**

	2014	2013	Change
<b>Assets</b>			
Cash and Cash Equivalents	\$2,641,849	\$1,951,321	\$690,528
<b>Net Position</b>			
Restricted for:			
Other Purposes	\$132,467	\$77,538	\$54,929
Unrestricted	2,509,382	1,873,783	635,599
Total Net Position	\$2,641,849	\$1,951,321	\$690,528

As mentioned previously, net position of governmental activities increased during 2014. This increase is a result of Buckeye Local School District now paying for employees that had been previously paid through the Service Center. There were also a number of employees that retired and the Service Center was able to hire their replacements at a lower cost.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2014  
Unaudited

Table 2 reflects the changes in net position in 2014 compared to 2013.

(Table 2)  
**Changes in Net Position**  
**Governmental Activities**

	2014	2013	Change
<b>Receipts:</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$2,569,536	\$2,566,876	\$2,660
Operating Grants and Contributions	1,618,640	1,731,751	(113,111)
<b>Total Program Receipts</b>	<b>4,188,176</b>	<b>4,298,627</b>	<b>(110,451)</b>
<i>General Receipts:</i>			
Grants and Entitlements Not Restricted to Specific Programs	5,270,342	5,462,941	(192,599)
Unrestricted Contributions and Donations	0	1,050	(1,050)
Interest	3,907	4,650	(743)
Miscellaneous	93,382	83,093	10,289
<b>Total General Receipts</b>	<b>5,367,631</b>	<b>5,551,734</b>	<b>(184,103)</b>
<b>Total Receipts</b>	<b>9,555,807</b>	<b>9,850,361</b>	<b>(294,554)</b>
<b>Disbursements:</b>			
<i>Instruction:</i>			
Regular	230,870	167,532	(63,338)
Special	3,464,363	3,065,863	(398,500)
Adult/Continuing	146,921	140,320	(6,601)
Student Intervention Services	543,742	557,712	13,970
<i>Support Services:</i>			
Pupil	2,106,593	2,253,003	146,410
Instructional Staff	634,316	2,246,594	1,612,278
Board of Education	23,337	24,081	744
Administration	926,618	1,003,541	76,923
Fiscal	271,285	302,296	31,011
Operation and Maintenance of Plant	205,291	234,346	29,055
Central	311,943	63,327	(248,616)
Operation of Non-Instructional Services	0	200	200
Capital Outlay	0	650	650
<b>Total Disbursements</b>	<b>8,865,279</b>	<b>10,059,465</b>	<b>1,194,186</b>
Change in Net Position	690,528	(209,104)	899,632
Net Position Beginning of Year	1,951,321	2,160,425	(209,104)
<b>Net Position End of Year</b>	<b>\$2,641,849</b>	<b>\$1,951,321</b>	<b>\$690,528</b>

Program receipts represent 43.83 percent of the total receipts and are primarily comprised of funds used to cover services provided to the school districts, tuition and operating grants. There was a decrease in receipts from fiscal year 2013 as funding from the State continues to decline. Expenditures decreased significantly during 2014 due to School Districts using less staff funded by the Service Center and the retirements of a number of employees and hiring at a lower cost.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2014*  
*Unaudited*

**Governmental Activities**

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Service Center. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for special instruction and pupil support services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Service Center that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local sources. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2014	Net Cost of Services 2014	Total Cost Of Services 2013	Net Cost of Services 2013
Instruction:				
Regular	\$230,870	(\$188,684)	\$167,532	(\$102,901)
Special	3,464,363	(1,689,714)	3,065,863	(1,302,173)
Adult/Continuing	146,921	2,650	140,320	3,221
Student Intervention Services	543,742	255,003	557,712	26,977
Support Services:				
Pupil	2,106,593	(1,546,550)	2,253,003	(1,674,492)
Instructional Staff	634,316	(389,563)	2,246,594	(1,596,580)
Board of Education	23,337	(19,340)	24,081	(21,492)
Administration	926,618	(506,602)	1,003,541	(630,954)
Fiscal	271,285	(197,023)	302,296	(209,921)
Operation and Maintenance of Plant	205,291	(162,083)	234,346	(190,146)
Central	311,943	(235,197)	63,327	(61,527)
Operation of Non-Instructional Services	0	0	200	(200)
Capital Outlay	0	0	650	(650)
Total Disbursements	<u>\$8,865,279</u>	<u>(\$4,677,103)</u>	<u>\$10,059,465</u>	<u>(\$5,760,838)</u>

**The Government's Funds**

Information regarding the Service Center's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$9,555,807 and total disbursements of \$8,865,279. The net change in governmental fund balance for the year was most significant in the general fund which had an increase due to a significant decrease in instructional staff disbursements and administration due to retiring staff and not filling their positions or hiring replacements at a lower rate. Also, Buckeye Local Schools took back the teachers that had previously been on the Service Center's payroll.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2014*  
*Unaudited*

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**Capital Assets**

The Service Center maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

**Current Issues**

The Service Center continues to be financially stable and is able to continue to offer the programs needed to enrich and service the various school districts. The Board and Administration closely monitor its receipts and disbursements in accordance with Board policy. The Service Center is committed to serving its local and city school districts.

While many outside factors can and will affect the economy, the Service Center is committed to provide the best services possible and to be fiscally responsible now and in the future. The Service Center is constantly evaluating its programs and expanding where it can to provide cost effective services to school districts. If the Service Center does not provide efficiency, there is no reason for a school district to contract with them.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Service Center's finances and to show the Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Gillespie, Treasurer at the Ashtabula County Educational Service Center, 4200 State Road, Ashtabula, Ohio 44004.

**Ashtabula County Educational Service Center**

*Statement of Net Position - Cash Basis*

*June 30, 2014*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,641,849</u>
<b>Net Position</b>	
Restricted for Other Purposes	\$132,467
Unrestricted	<u>2,509,382</u>
<i>Total Net Position</i>	<u>\$2,641,849</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2014*

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$230,870	\$42,186	\$0	(\$188,684)
Special	3,464,363	767,349	1,007,300	(1,689,714)
Adult/Continuing	146,921	44,705	104,866	2,650
Student Intervention Services	543,742	798,745	0	255,003
Support Services:				
Pupil	2,106,593	392,150	167,893	(1,546,550)
Instructional Staff	634,316	240,953	3,800	(389,563)
Board of Education	23,337	3,997	0	(19,340)
Administration	926,618	115,535	304,481	(506,602)
Fiscal	271,285	56,662	17,600	(197,023)
Operation and Maintenance of Plant	205,291	32,308	10,900	(162,083)
Central	311,943	74,946	1,800	(235,197)
<b>Total</b>	<b>\$8,865,279</b>	<b>\$2,569,536</b>	<b>\$1,618,640</b>	<b>(4,677,103)</b>
<b>General Receipts</b>				
		Grants and Entitlements not Restricted to Specific Programs		5,270,342
		Interest		3,907
		Miscellaneous		93,382
		<i>Total General Receipts</i>		<u>5,367,631</u>
		Change in Net Position		690,528
		<i>Net Position Beginning of Year</i>		<u>1,951,321</u>
		<i>Net Position End of Year</i>		<u><u>\$2,641,849</u></u>

See accompanying notes to the basic financial statements



**Ashtabula County Educational Service Center**

*Statement of Assets and Fund Balances - Cash Basis*

*Governmental Funds*

*June 30, 2014*

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	<u>General</u>	<u>IDEIA Part-B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,509,382</u>	<u>\$64,184</u>	<u>\$68,283</u>	<u>\$2,641,849</u>
<b>Fund Balances</b>				
Restricted	\$0	\$64,184	\$68,283	\$132,467
Assigned	82,136	0	0	82,136
Unassigned	<u>2,427,246</u>	<u>0</u>	<u>0</u>	<u>2,427,246</u>
<i>Total Fund Balances</i>	<u>\$2,509,382</u>	<u>\$64,184</u>	<u>\$68,283</u>	<u>\$2,641,849</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	IDEA Part-B	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Intergovernmental	\$5,270,342	\$1,352,066	\$266,574	\$6,888,982
Interest	3,907	0	0	3,907
Tuition and Fees	543,905	0	77,221	621,126
Charges for Services	1,947,910	0	0	1,947,910
Rentals	500	0	0	500
Miscellaneous	93,382	0	0	93,382
<i>Total Receipts</i>	<u>7,859,946</u>	<u>1,352,066</u>	<u>343,795</u>	<u>9,555,807</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	203,855	0	27,015	230,870
Special	2,518,297	839,391	106,675	3,464,363
Adult/Continuing	0	0	146,921	146,921
Student Intervention Services	543,742	0	0	543,742
Support Services:				
Pupil	1,949,841	124,540	32,212	2,106,593
Instructional Staff	615,016	0	19,300	634,316
Board of Education	23,337	0	0	23,337
Administration	639,682	284,598	2,338	926,618
Fiscal	251,884	15,244	4,157	271,285
Operation and Maintenance of Plant	194,113	0	11,178	205,291
Central	310,143	0	1,800	311,943
<i>Total Disbursements</i>	<u>7,249,910</u>	<u>1,263,773</u>	<u>351,596</u>	<u>8,865,279</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>610,036</u>	<u>88,293</u>	<u>(7,801)</u>	<u>690,528</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	25,563	0	0	25,563
Advances Out	0	(24,109)	(1,454)	(25,563)
<i>Total Other Financing Sources (Uses)</i>	<u>25,563</u>	<u>(24,109)</u>	<u>(1,454)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	635,599	64,184	(9,255)	690,528
<i>Fund Balances Beginning of Year</i>	<u>1,873,783</u>	<u>0</u>	<u>77,538</u>	<u>1,951,321</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,509,382</u></u>	<u><u>\$64,184</u></u>	<u><u>\$68,283</u></u>	<u><u>\$2,641,849</u></u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Agency Fund*  
*June 30, 2014*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,690</u>
<b>Liabilities</b>	
Due to Others	<u>\$1,690</u>

See accompanying notes to the basic financial statements

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## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### **Note 1 - Reporting Entity**

In 1963, the Ashtabula County Educational Service Center (the Service Center) was formed. The Service Center supplies special education, supervisory, administrative, fiscal and other needed services to area school districts in Ashtabula County. The Service Center operates under a locally-elected five-member governing board form of government and provides educational services as mandated by State or federal agencies to four local and two city school districts. The Board controls the Service Center's staff who provide services to over 14,290 students and other community members in Ashtabula County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

#### ***Primary Government***

The primary government of the Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Service Center. For the Service Center, this includes the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Service Center.

#### ***Component Units***

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

#### ***Other Organizations***

The Service Center participates in two jointly governed organizations, two insurance purchasing pools and one risk sharing pool. These organizations are the North East Ohio Management Information Network, the Ashtabula County Career and Technical Center, the Ohio School Plan, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan and the Ashtabula County Schools Council of Governments. These organizations are presented in Notes 11 and 12 to the basic financial statements.

The Service Center's management believes these financial statements present all activities for which the Service Center is financially accountable.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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(GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

### ***Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Service Center that are governmental and those that are considered business-type. The Service Center, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Service Center at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the 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 government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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 Service Center's general receipts.

***Fund Financial Statements*** During the fiscal year, the Service Center segregates transactions related to certain 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 Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### ***Fund Accounting***

The 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 funds of the Service Center are divided into two categories, governmental and fiduciary.

***Governmental Funds*** The Service Center classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Service Center's only major funds are the general fund and IDEA Part-B special revenue fund.

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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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***IDEA Part-B Fund*** The IDEA Part-B fund accounts for and reports Federal monies restricted to assist schools in the identification of handicapped children, development of procedural safeguards, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

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

***Fiduciary Funds*** The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Service Center's own programs. The Service Center has no trust funds. Agency funds are custodial in nature. The Service Center's agency fund accounts for the payment to the School Employees Retirement System.

### ***Basis of Accounting***

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

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

### ***Cash and Investments***

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

Investments of the Service Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Service Center are presented on the financial statements as cash equivalents.

During fiscal year 2014, the Service Center invested in a nonnegotiable certificate of deposit and STAR Ohio. Nonparticipating investment contracts such as nonnegotiable certificates of deposits are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at June 30, 2014.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2014 was \$3,907, which included \$196 assigned from other Service Center funds.

### ***Inventory and Prepaid Items***

The Service Center reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Interfund Receivables/Payables***

The Service Center reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

### ***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Service Center's cash basis of accounting.

### ***Employer Contributions to Cost-Sharing Pension Plans***

The Service Center recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

### ***Long-Term Obligations***

The Service Center's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for federal and state grants restricted to cash disbursement for specified purposes. The Service Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.



## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### ***Fund Balance***

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the 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. These amounts are assigned by the Service Center Governing Board. In the general fund, assigned amounts represent intended uses established by policies of the Service Center Governing Board or by State Statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

The Service Center applies restricted resources first when expenditures are 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 could be used.

### **Note 3 – Compliance**

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

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

**Note 4 – Fund Balance**

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

Fund Balances	General	IDEIA Part-B	Other Governmental Funds	Total
<i><b>Restricted for</b></i>				
Instructional Staff	\$0	\$0	\$18,640	\$18,640
Latchkey Program	0	0	38,009	38,009
Bus Driver Training	0	0	11,590	11,590
Special Education	0	64,184	44	64,228
<i>Total Restricted</i>	0	64,184	68,283	132,467
<i><b>Assigned to</b></i>				
Purchases on order	82,136	0	0	82,136
<i>Unassigned</i>	2,427,246	0	0	2,427,246
<i>Total Fund Balances</i>	<u>\$2,509,382</u>	<u>\$64,184</u>	<u>\$68,283</u>	<u>\$2,641,849</u>

**Note 5 – Deposits and Investments**

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

Active deposits are public monies determined to be necessary to meet current demands upon the Service Center treasury. Active monies must be maintained either as cash in the 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 that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the Service Center can 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to the market daily, and the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the Service Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,289,605 of the Service Center's bank balance of \$2,289,605 was uninsured and uncollateralized. A third party custodian holds the collateral in a pool, and the uninsured deposits covered by the pool would not be exposed to custodial credit risk because the collateral is held by the government's agent in the government's name.

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

### **Investments**

As of June 30, 2014, the Service Center had STAR Ohio as the only investment with an amount of \$464,776 and a maturity of 51.4 days. The investment is in an internal investment pool.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**Credit Risk** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Service Center has no investment policy that addresses credit risk.

### **Note 6 – State Funding**

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

The Service Center also receives funding from the State Department of Education in the amount of \$37.17 times the average daily membership of the Service Center. Average daily membership includes the total student counts of all local school districts within the Service Center's territory and all of the Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Service Center's local and client school districts an amount equal to \$12.00 times the school district's total student count and remits this amount to the Service Center.

Due to provisions in the State budget bill, the per pupil funding in the permanent section of law did not apply to fiscal years 2012, 2013 and 2014. Instead, ESC's received percentage of the funding they received the previous year. For fiscal year 2014, ESC's received 85 percent of the funding they received in fiscal year 2013.

The Service Center may contract with city, exempted village, local, 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 Service Center.

### **Note 7 - Risk Management**

#### ***Property and Liability***

The 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 2013, the Service Center joined together with other Service Centers in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual school district enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. The Service Center contracted with OSP for general liability with a \$1,000,000 per occurrence and \$3,000,000 aggregate and for errors and omissions with a \$1,000,000 per occurrence and \$3,000,000 aggregate.

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.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### ***Workers' Compensation***

The Service Center participates in the Ohio Association of School Business Officials 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 Service Center by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control, assistance with safety programs and actuarial services to the GRP.

### ***Employee Medical Benefits***

The Service Center participates in the Ashtabula County Schools Council of Governments, a risk sharing pool (Note 12) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The Service Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Service Center's Board pays the entire cost of a monthly premium for all full-time employees.

## **Note 8 - Defined Benefit Pension Plans**

### ***School Employee Retirement System***

**Plan Description** – The 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$202,013, \$185,866 and \$192,568, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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### ***State Teachers Retirement System***

Plan Description – The 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or 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 DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 10 percent of their annual covered salary. The Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Service Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$519,771 and \$7,027 for the fiscal year ended June 30, 2014, \$575,797 and \$7,251 for the fiscal year ended June 30, 2013, and \$556,374 and \$10,696 for the fiscal year ended June 30, 2012. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$40 made by the Service Center and \$31 made by the plan members. In addition, member contributions of \$5,521 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### **Note 9 - Postemployment Benefits**

#### ***School Employee Retirement System***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,525. During fiscal year 2014, the Service Center paid \$30,842 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 Service Center's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$33,001, \$37,320 and \$38,665, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$11,720, \$10,976 and \$11,372, respectively; 100 percent has been contribution for fiscal years 2014, 2013 and 2012.

#### ***State Teachers Retirement System***

Plan Description – The Service Center participates in the cost-sharing multiple-employer defined benefit Health 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 to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Service Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$39,982, \$44,850 and \$43,621, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

### **Note 10 – Contingent Liabilities**

#### ***Grants***

Amounts grantor agencies pay to the Service Center are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

#### ***Litigation***

The Service Center is not party to legal proceedings.

### **Note 11 - Jointly Governed Organizations**

#### ***North East Ohio Management Information Network***

The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization amount thirty Service Centers in Trumbull and Ashtabula Counties. The jointly governed 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 Service Centers. Each of the districts supports NEOMIN based upon a per pupil charge. The Service Center paid \$1,213 to NEOMIN during fiscal year 2014.

The Governing Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating Service Centers, three superintendents from Trumbull County participating Service Centers, and a principal and treasurer (non-voting members who must be employed by a participating Service Center, the fiscal agent or NEOMIN). The degree of control exercised by a participating Service Center is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

#### ***Ashtabula County Career and Technical Center***

The Ashtabula County Career and Technical Center (CTC) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The CTC is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the Service Center is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The Service Center made no contributions for fiscal year 2014. Financial information can be obtained from Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.



## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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### **Note 12 – Public Entity Risk Pools**

#### ***Insurance Purchasing Pools***

***Ohio School Plan*** The Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of Service Center superintendents and treasurers, as well as the as president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

***Ohio Association of School Business Officials Workers' Compensation Group Rating Plan*** The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

#### ***Risk Sharing Pool***

***Ashtabula County Schools Council of Governments*** The Service Center has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The Service Center pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the Service Center. The Service Center is not liable nor receives a cash balance of past claims upon departure from the pool.

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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**Note 13 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$82,136
IDEA Part-B	100,699
Other Governmental Funds	<u>10,486</u>
Total	<u><u>\$193,321</u></u>

## Supplemental Information

### Ashtabula County Educational Service Center

*Schedule of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Fiscal Year Ended June 30, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental			\$5,270,342	
Interest			3,907	
Tuition and Fees			543,905	
Charges for Services			1,947,910	
Rentals			500	
Miscellaneous			<u>93,382</u>	
<i>Total Receipts</i>			<u>7,859,946</u>	
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	312,378	270,159	203,855	66,304
Special	2,584,504	2,629,209	2,545,932	83,277
Student Intervention Services	539,632	565,310	543,742	21,568
Support Services:				
Pupil	1,994,520	2,061,891	1,961,444	100,447
Instructional Staff	585,215	647,169	616,708	30,461
Board of Education	31,031	31,127	23,823	7,304
Administration	667,934	759,355	645,880	113,475
Fiscal	278,964	275,919	252,920	22,999
Operation and Maintenance of Plant	234,841	288,130	227,224	60,906
Central	318,362	325,942	310,518	15,424
Operation of Non-Instructional Services	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
<i>Total Disbursements</i>	<u>7,547,881</u>	<u>7,854,711</u>	<u>7,332,046</u>	<u>522,665</u>
<i>Excess of Receipts Over Disbursements</i>			<u>527,900</u>	
<b>Other Financing Sources</b>				
Advances In			<u>25,563</u>	
<i>Net Change in Fund Balance</i>			553,463	
<i>Fund Balance Beginning of Year</i>			1,828,042	
Prior Year Encumbrances Appropriated			<u>45,741</u>	
<i>Fund Balance End of Year</i>			<u><u>\$2,427,246</u></u>	

See accompanying notes to the supplemental information

## Supplemental Information

### Ashtabula County Educational Service Center

*Schedule of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*IDEA Part-B Fund*

*For the Fiscal Year Ended June 30, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental			\$1,352,066	
<b>Disbursements</b>				
Current:				
Instruction:				
Special	948,221	945,893	924,316	21,577
Support Services:				
Pupil	169,391	169,053	138,685	30,368
Administration	325,348	328,821	286,227	42,594
Fiscal	15,670	14,863	15,244	(381)
<i>Total Disbursements</i>	<u>1,458,630</u>	<u>1,458,630</u>	<u>1,364,472</u>	<u>94,158</u>
<i>Excess of Receipts Under Disbursements</i>			<u>(12,406)</u>	
<b>Other Financing Uses</b>				
Advances Out			<u>(24,109)</u>	
<i>Net Change in Fund Balance</i>			(36,515)	
<i>Fund Balance (Deficit) Beginning of Year</i>			(51,768)	
Prior Year Encumbrances Appropriated			<u>51,768</u>	
<i>Fund Balance Deficit End of Year</i>			<u><u>(\$36,515)</u></u>	

See accompanying notes to the supplemental information

## **Ashtabula County Educational Service Center**

*Notes to the Supplemental Information  
For the Fiscal Year Ended June 30, 2014*

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### **Note 1 – Budgetary Basis of Accounting**

#### ***Budgetary Process***

The Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Service Center's Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board's authorization to spend resources. The resolution 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 level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

#### ***Budgetary Basis of Accounting***

The Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis for the general fund and the IDEA Part-B special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) in the general and IDEA Part-B special revenue funds were \$82,136 and \$100,699; respectively.

**Ashtabula County Educational Service Center**  
*Notes to the Supplemental Information*  
*For the Fiscal Year Ended June 30, 2014*

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**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States IDEA Part B	6B-SF-13 6B-SF-14	84.027	\$145,159 <u>1,206,907</u>	\$121,050 <u>1,142,723</u>
<b>Sub-Total - IDEA, Part B</b>			<b><u>1,352,066</u></b>	<b><u>1,263,773</u></b>
Early Childhood Special Education, IDEA Early Childhood Special Education, IDEA	PS-S1-13 PS-S1-14	84.173	1,042 <u>24,731</u>	1,042 <u>24,731</u>
<b>Sub-Total Early Childhood Special Education, IDEA</b>			<b><u>25,773</u></b>	<b><u>25,773</u></b>
<b>Total - Special Education Cluster</b>			<b><u>1,377,839</u></b>	<b><u>1,289,546</u></b>
<b>Title I - Delinquent</b>				
Title I Delinquent Title I Delinquent	2013 2014	84.010	16,044 <u>62,622</u>	14,610 <u>58,535</u>
<b>Sub-Total Title I Delinquent</b>			<b><u>78,666</u></b>	<b><u>73,145</u></b>
<b>Race to the Top</b>				
OPES Training FY 13 FAMS	2013 2013	84.395	3,800 <u>0</u>	3,800 <u>15,000</u>
<b>Sub-Total Race to the Top</b>			<b><u>3,800</u></b>	<b><u>18,800</u></b>
<b>Total Ohio Department of Education</b>			<b><u>\$1,460,305</u></b>	<b><u>\$1,381,491</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**NOTE TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Service Center's federal award programs. The Schedule has been prepared on the cash basis of accounting.





# Dave Yost • Auditor of State

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

Ashtabula County Educational Service Center  
Ashtabula County  
4200 State Road  
Ashtabula, Ohio 44004

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula County Educational Service Center, Ashtabula County, (the Service Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated November 13, 2014.

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

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

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

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

**Compliance and Other Matters**

As part of reasonably assuring whether the Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

**Entity's Response to Findings**

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

**Purpose of this Report**

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



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

November 13, 2014



# Dave Yost • Auditor of State

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

Ashtabula County Educational Service Center  
Ashtabula County  
4200 State Road  
Ashtabula, Ohio 44004

To the Governing Board:

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

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

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

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

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

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

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

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

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

Ashtabula County Educational Service Center  
Independent Auditor's Report On Compliance With Requirements  
Applicable To The Major Federal Program And On Internal Control Over  
Compliance In Accordance With OMB Circular A-133 and the Federal  
Awards Receipts and Expenditures Schedule

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

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

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

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

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



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

November 13, 2014

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

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

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

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

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

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

**FINDING NUMBER 2014-001**

**Noncompliance**

**Annual Financial Report**

Ohio Revised Code § 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 a form utilized by the public office. Ohio Administrative Code § 117-2-03 (B) further clarifies the requirements of the Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03 (B) requires the Service Center to prepare its financial report in accordance with accounting principles generally accepted in the United States of America. However, the Service 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.

Official's Response:

The Governing Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the Generally Accepted Account Principals (GAAP) basis financial statements to meet the Service Center reporting needs. Therefore, we chose to report using the Other Comprehensive Basis of Accounting (OCBOA) method as permitted by the Auditor of State.

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

None

**ASHTABULA COUNTY EDUCATION SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Administrative Code § 117-2-03 (B) requires the Service Center to prepare its financial report in accordance with generally accepted accounting principles	No, the Service Center has filed its financial report under the Other Cash Basis of Accounting. Repeated as citation 2014-001.	The Governing Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the GAAP conversion for their reporting needs.

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# Dave Yost • Auditor of State

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER**

**ASHTABULA 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  
DECEMBER 2, 2014**