



Dave Yost • Auditor of State

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position, change in net position and governmental activities. Budgetary comparison schedules are presented for the General Fund and Autism Fund. 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 and the schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the schedules 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, we applied no procedures to any other information in Management's Discussion & Analysis, 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 March 11, 2015, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2015

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of Auglaize County Educational Service Center's (the Educational Service Center) financial performance provides an overview of the Educational Service Center's financial activities for the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole.

USING THIS ANNUAL REPORT

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds, with all other non-major funds presented in total in a single column. For the Auglaize County Educational Service Center, the General Fund and the Autism special revenue fund are the most significant funds.

REPORTING THE EDUCATIONAL SERVICE CENTER AS A WHOLE

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the Educational Service Center at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the Educational Service Center's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Educational Service Center is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Educational Service Center's general receipts.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

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

REPORTING THE EDUCATIONAL SERVICE CENTER'S MOST SIGNIFICANT FUNDS

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

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

THE EDUCATIONAL SERVICE CENTER AS A WHOLE

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2014 and fiscal year 2013.

	Table 1 Net Position		
	2014	2013	Change
Assets:			
Cash and Cash Equivalents	\$3,411,016	\$2,934,275	\$476,741
Net Position:			
Restricted	71,384	74,358	(2,974)
Unrestricted	3,339,632	2,859,917	479,715
Total Net Position	\$3,411,016	\$2,934,275	\$476,741

Total net position increased 16 percent. Although there were only modest increases in receipts and disbursements, receipts were greater than disbursements for the fiscal year.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

**Table 2
Change in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Receipts:			
Program Receipts:			
Charges for Services	\$7,352,839	\$7,070,536	\$282,303
Operating Grants and Contributions	2,175,783	2,370,715	(194,932)
Total Program Receipts	<u>9,528,622</u>	<u>9,441,251</u>	<u>87,371</u>
General Receipts:			
Grants and Entitlements	276,950	205,342	71,608
Interest	9,039	4,395	4,644
Miscellaneous	183,144	152,021	31,123
Total General Receipts	<u>469,133</u>	<u>361,758</u>	<u>107,375</u>
Total Receipts	<u>9,997,755</u>	<u>9,803,009</u>	<u>194,746</u>
Disbursements:			
Instruction:			
Regular	2,069,579	1,731,760	(337,819)
Special	2,921,984	3,230,818	308,834
Support Services:			
Pupils	1,703,986	1,594,570	(109,416)
Instructional Staff	294,370	275,785	(18,585)
Board of Education	47,662	132,226	84,564
Administration	1,944,891	1,867,146	(77,745)
Fiscal	184,436	175,769	(8,667)
Operation and Maintenance of Plant	126,968	100,804	(26,164)
Pupil Transportation	63,895	59,904	(3,991)
Central	45,273	30,902	(14,371)
Intergovernmental	117,970	22,682	(95,288)
Total Disbursements	<u>9,521,014</u>	<u>9,222,366</u>	<u>(298,648)</u>
Increase in Net Position	476,741	580,643	(103,902)
Net Position at Beginning of Year	2,934,275	2,353,632	580,643
Net Position at End of Year	<u>\$3,411,016</u>	<u>\$2,934,275</u>	<u>\$476,741</u>

Program receipts during fiscal year 2014 represented 95 percent of total receipts which is consistent with fiscal year 2013. The program receipts are primarily charges for services that represent charges for educational instruction programs and support services provided to the school districts served by the Educational Service Center.

The Educational Service Center provides services to two city school districts, four local school districts, and a community school within Auglaize County. In fiscal year 2014, the Educational Service Center also provided staff and services for school districts within Hardin County. In fiscal year 2014, operating grants and contributions decreased from a reduction in state funding.

General receipts increased significantly. Grants and entitlements were increased due to a change in the State funding formula. Miscellaneous receipts increased due to the rental of facilities and reimbursements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

There was not a significant change in overall disbursements in fiscal year 2014; however, there were several significant changes by program. There were decreases in disbursements in the special instruction and board of education programs in fiscal year 2014. Special instruction costs were reduced from replacing teachers with less experience for those that terminated their employment in fiscal year 2013. Board of education disbursements decreased due to the final payment made on the promissory note.

The most significant increases in costs are associated with regular instruction, pupils, instructional staff, administration, maintenance and operation of plant, central, and intergovernmental programs. Regular instruction costs increased from employing aides for the Wapakoneta City School District. The pupils' costs increased due to employing additional staff to cover those employees on leave and the hiring of additional psychologists for the Hardin County school districts. Instructional staff costs increased from hiring additional staff in the curriculum department based upon the needs of the school districts. Administration disbursements increased from the payment of severance and replacing an employee. Central costs increased for the purchase of a new phone system. Maintenance and operation of plant increased due to maintenance and upkeep on the building such as installation of new air conditioning units, hot water heaters and carpet. Intergovernmental disbursements in fiscal year 2014 included payments to school districts allocated by the third grade reading grant awarded to the Educational Service Center.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$2,069,579	\$1,731,760	\$1,257,729	\$1,090,235
Special	2,921,984	3,230,818	(5,222,779)	(4,964,458)
Support Services:				
Pupils	1,703,986	1,594,570	1,245,785	1,126,630
Instructional Staff	294,370	275,785	294,370	275,785
Board of Education	47,662	132,226	47,662	132,226
Administration	1,944,891	1,867,146	1,944,891	1,867,146
Fiscal	184,436	175,769	118,338	84,048
Operation and Maintenance of Plant	126,968	100,804	126,968	100,804
Pupil Transportation	63,895	59,904	46,939	44,535
Central	45,273	30,902	14,519	1,482
Intergovernmental	117,970	22,682	117,970	22,682
Total Disbursements	\$9,521,014	\$9,222,366	(\$7,608)	(\$218,885)

Program receipts fully funded the Educational Service Center's costs for services due to the significant amount of receipts received for charges for services to provide training and curriculum development.

Instructional programs are charged to school districts and recorded by the Educational Service Center as charges for services receipts for activities related to regular and special instruction. Also, the operating grants for the national board school teacher testing, entry year testing and assessment, and Region 6 Support Service Team are related to special instruction. Therefore, the special instruction program appears to be over funded while the instructional staff and administration support services programs seem to be under funded.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

THE EDUCATIONAL SERVICE CENTER'S FUNDS

The Educational Service Center's governmental funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased significantly due to providing curriculum services to school districts within Hardin County.

Fund balance in the Autism special revenue fund increased slightly.

CURRENT ISSUES

Fiscal year 2014 is the final year of the three-year Race to the Top federal grant. The Ohio Department of Education received an extension through the U. S. Board of Education to extend the program for an additional year. Once the grant is finalized in fiscal year 2015, the Educational Service Center will not renew the contracts for the employees that are currently funded by the program.

REQUEST FOR INFORMATION

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

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,411,016</u></u>
Net Position:	
Restricted for:	
Other Purposes	71,384
Unrestricted	<u>3,339,632</u>
Total Net Position	<u><u>\$3,411,016</u></u>

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,069,579	\$228,967	\$582,883	(\$1,257,729)
Special	2,921,984	6,569,719	1,575,044	5,222,779
Support Services:				
Pupils	1,703,986	458,201		(1,245,785)
Instructional Staff	294,370			(294,370)
Board of Education	47,662			(47,662)
Administration	1,944,891			(1,944,891)
Fiscal	184,436	66,098		(118,338)
Operation and Maintenance of Plant	126,968			(126,968)
Pupil Transportation	63,895		16,956	(46,939)
Central	45,273	29,854	900	(14,519)
Intergovernmental	117,970			(117,970)
Total Governmental Activities	\$9,521,014	\$7,352,839	\$2,175,783	7,608
General Receipts:				
Grants and Entitlements not Restricted to Specific Programs				276,950
Interest				9,039
Miscellaneous				183,144
Total General Receipts				469,133
Change in Net Position				476,741
Net Position at Beginning of Year				2,934,275
Net Position at End of Year				\$3,411,016

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Autism</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$3,340,528</u>	<u>\$11,854</u>	<u>\$58,634</u>	<u>\$3,411,016</u>
Fund Balances:				
Restricted		11,854	59,530	71,384
Assigned	370,696			370,696
Unassigned (Deficit)	<u>2,969,832</u>		<u>(896)</u>	<u>2,968,936</u>
Total Fund Balances	<u>\$3,340,528</u>	<u>\$11,854</u>	<u>\$58,634</u>	<u>\$3,411,016</u>

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Autism</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:				
Intergovernmental	\$598,425	\$888,837	\$963,100	\$2,450,362
Interest	9,039			9,039
Tuition and Fees	277,316			277,316
Customer Services	6,978,365			6,978,365
Miscellaneous	250,669	734	31,270	282,673
Total Receipts	<u>8,113,814</u>	<u>889,571</u>	<u>994,370</u>	<u>9,997,755</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,021,160	12	48,407	2,069,579
Special	2,878,117		43,867	2,921,984
Support Services:				
Pupils	1,703,986			1,703,986
Instructional Staff	245,609	5,189	43,572	294,370
Board of Education	47,662			47,662
Administration	420,569	840,138	684,184	1,944,891
Fiscal	130,338		54,098	184,436
Operation and Maintenance of Plant	86,163	40,805		126,968
Pupil Transportation	63,895			63,895
Central	44,373		900	45,273
Intergovernmental			117,970	117,970
Total Disbursements	<u>7,641,872</u>	<u>886,144</u>	<u>992,998</u>	<u>9,521,014</u>
Changes in Fund Balances	471,942	3,427	1,372	476,741
Fund Balances at Beginning of Year	<u>2,868,586</u>	<u>8,427</u>	<u>57,262</u>	<u>2,934,275</u>
Fund Balances at End of Year	<u><u>\$3,340,528</u></u>	<u><u>\$11,854</u></u>	<u><u>\$58,634</u></u>	<u><u>\$3,411,016</u></u>

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Auglaize County Educational Service Center (the Educational Service Center) is located in Wapakoneta, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Minster, New Bremen, New Knoxville, and Waynesfield-Goshen Local School Districts, the St. Marys and Wapakoneta City School Districts, and the Auglaize County Educational Academy (community school). The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has sixteen administrators, one hundred seventeen classified employees, and fifty-five certified employees who provide services to the local and city school districts and the community school.

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

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

The Educational Service Center is associated with two jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Schools of Ohio Risk Sharing Authority, Mercer-Auglaize Area School Employee Welfare Benefit Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Basis of Accounting

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

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

D. Cash and Investments

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

During fiscal year 2014, the Educational Service Center's investments were limited to negotiable certificates of deposit and mutual funds.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$9,039, which included \$841 assigned from other Educational Service Center funds.

E. Capital Assets

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

F. Compensated Absences

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

G. Long-Term Obligations

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position

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

I. Fund Balance

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

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as receipts and intergovernmental disbursements in a special revenue fund. For fiscal year 2014, this consisted of the Third Grade Reading and Preschool Handicapped special revenue funds.

3. ACCOUNTABILITY

At June 30, 2014, the Title II special revenue fund had a deficit fund balance, in the amount of \$896, resulting from disbursements in excess of receipts. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,089,736 of the Educational Service Center's bank balance of \$2,589,736 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

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

B. Investments

As of June 30, 2014, the School District had the following investments.

	Total	Less Than Six Months	Six Months to One Years
Negotiable Certificates of Deposit	\$1,010,185	\$250,250	\$759,935
Mutual Funds	764	764	
Total Investments	<u>\$1,010,949</u>	<u>\$251,014</u>	<u>\$759,935</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The negotiable certificates of deposit are fully insured by FDIC insurance. The mutual funds carry a rating of Aaa by Moodys. The Educational Service Center has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds in eligible securities must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

5. STATE FUNDING

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

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

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

6. RISK MANAGEMENT

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

6. RISK MANAGEMENT (Continued)

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

General Liability	
Occurrence	\$15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Building and Contents	3,872,977

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

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

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

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan.

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Educational Service Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$507,093 and \$24,562 for the fiscal year ended June 30, 2014, \$410,742 and \$20,216 for the fiscal year ended June 30, 2013, and \$485,066 and \$8,998 for the fiscal year ended June 30, 2012. For fiscal year 2014, 90 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$5,325 made by the Educational Service Center and \$4,184 made by the plan members. In addition, member contributions of \$19,299 were made for fiscal year 2014 for the defined contribution portion of the CP.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$237,715, \$233,524, and \$219,145, respectively. For fiscal year 2014, 89 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$41,306, \$33,800, and \$38,733, respectively. For fiscal year 2014, 90 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the Educational Service Center paid \$32,319 in surcharge.

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

The Educational Service Center's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,540, \$2,852, and \$9,491, respectively. For fiscal year 2014, 89 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The Educational Service Center's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$13,791, \$13,191, and \$12,942, respectively. For fiscal year 2014, 89 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

10. LONG-TERM OBLIGATIONS

The change in the Educational Service Center's long-term obligation during fiscal year 2014 was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Within One Year
Judgment Payable	\$29,750	\$0	\$29,750	\$0	\$0

In fiscal year 2012, the Educational Service Center entered into a promissory agreement with Bittersweet Farms, Inc. to provide payment of a court mandate issued on behalf of Bittersweet Farms, Inc. relating to a contract dispute. The agreement was repaid on December 30, 2013. The agreement was interest free and paid from the General Fund.

11. FUND BALANCE

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

11. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Autism</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Autism		\$11,854		\$11,854
Education Management				
Information Systems			\$13	13
Preschool			7,254	7,254
Professional Development			52,079	52,079
Regular Instruction			184	184
Total Restricted		<u>11,854</u>	<u>59,530</u>	<u>71,384</u>
Assigned for:				
Background Checks	\$6,265			6,265
Educational Activities	9,864			9,864
Professional Development	53,496			53,496
Special Instruction	268,093			268,093
Unpaid Obligations	32,978			32,978
Total Assigned	<u>370,696</u>			<u>370,696</u>
Unassigned (Deficit)	<u>2,969,832</u>		<u>(896)</u>	<u>2,968,936</u>
Total Fund Balance	<u>\$3,340,528</u>	<u>\$11,854</u>	<u>\$58,634</u>	<u>\$3,411,016</u>

12. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of educational entities within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter educational entities within each county plus a representative from the fiscal agent educational entity. During fiscal year 2014, the Educational Service Center paid \$62,259 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

B. Auglaize County Educational Academy

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

13. INSURANCE POOLS

A. Schools of Ohio Risk Sharing Authority

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

B. Mercer-Auglaize Area School Employee Welfare Benefit Trust

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

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

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

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

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

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(Continued)**

14. CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2014.

B. Litigation

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

15. COMPLIANCE

Ohio Administrative Code Section 117-2-03 requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2014, the Educational Service Center prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Intergovernmental	\$972,244	\$1,001,631	\$598,425	(\$403,206)
Interest	8,110	8,356	9,039	683
Tuition and Fees	333,543	343,625	277,316	(66,309)
Extracurricular Activities	1,014	1,044		(1,044)
Customer Services	8,373,057	8,626,137	6,978,365	(1,647,772)
Miscellaneous	450,132	463,737	250,669	(213,068)
Total Receipts	<u>10,138,100</u>	<u>10,444,530</u>	<u>8,113,814</u>	<u>(2,330,716)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,094,074	2,114,487	1,835,181	279,306
Special	3,697,645	3,733,689	2,855,173	878,516
Other	9,433	9,525		9,525
Support Services:				
Pupils	1,980,881	2,000,191	1,707,833	292,358
Instructional Staff	311,281	314,316	241,026	73,290
Board of Education	94,328	95,247	49,053	46,194
Administration	386,743	390,513	421,614	(31,101)
Fiscal	188,655	190,494	130,338	60,156
Operation and Maintenance of Plant	132,059	133,346	91,775	41,571
Pupil Transportation	94,328	95,247	65,045	30,202
Central	18,865	19,049	14,275	4,774
Background Checks:				
Central	28,298	28,574	30,098	(1,524)
Educational Activities:				
Special	28,298	28,574	22,768	5,806
Professional Development:				
Special	9,433	9,525	3,232	6,293
Instructional Staff	37,731	38,099	6,834	31,265
Administration	9,433	9,525	6,392	3,133
Tobacco School:				
Regular	9,433	9,525		9,525
Alternative and Opportunity School:				
Regular	301,849	304,791	194,849	109,942
Operation and Maintenance of Plant			1,467	(1,467)
Total Disbursements	<u>9,432,767</u>	<u>9,524,717</u>	<u>7,676,953</u>	<u>1,847,764</u>
Changes in Fund Balance	705,333	919,813	436,861	(482,952)
Fund Balance at Beginning of Year	2,833,054	2,833,054	2,833,054	
Prior Year Encumbrances Appropriated	35,532	35,532	35,532	
Fund Balance at End of Year	<u>\$3,573,919</u>	<u>\$3,788,399</u>	<u>\$3,305,447</u>	<u>(\$482,952)</u>

See accompanying notes to the budgetary schedules.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
AUTISM FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts:				
Intergovernmental	\$1,015,975	\$1,089,455	\$888,837	(\$200,618)
Miscellaneous			734	734
Total Receipts	1,015,975	1,089,455	889,571	(199,884)
Disbursements:				
Current:				
Instruction:				
Regular	12	12	12	
Support Services:				
Instructional Staff	9,422	10,100	9,730	370
Administration	974,526	1,044,733	843,818	200,915
Operation and Maintenance of Plant	40,144	43,037	40,805	2,232
Total Disbursements	1,024,104	1,097,882	894,365	203,517
Changes in Fund Balance	(8,129)	(8,427)	(4,794)	3,633
Fund Balance at Beginning of Year	8,067	8,067	8,067	
Prior Year Encumbrances Appropriated	360	360	360	
Fund Balance at End of Year	\$298	\$0	\$3,633	\$3,633

See accompanying notes to the budgetary schedules.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BUDGETARY SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund and the Autism special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for the General Fund and Autism special revenue fund were \$35,081 and \$8,221, respectively.

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Education (Passed through Ohio Department of Education)			
Special Education Cluster:			
State Support Team Region 6			
Special Education Grants to States	84.027	<u>\$888,838</u>	<u>\$886,133</u>
Auglaize County Educational Service Center			
Special Education Preschool Grants	84.173	43,973	43,656
State Support Team Region 6			
Special Education Preschool Grants	84.173	<u>48,327</u>	<u>51,931</u>
Total Special Education Preschool Grants		<u>92,300</u>	<u>95,587</u>
Total Special Education Cluster		<u>981,138</u>	<u>981,720</u>
State Support Team Region 6			
Special Education State Personnel Development	84.323	79,911	81,824
Improving Teacher Quality State Grants	84.367	34,112	26,340
ARRA - Race to the Top Incentive Grants, Recovery Act	84.395	<u>463,084</u>	<u>460,415</u>
Total U.S. Department of Education		<u>1,558,245</u>	<u>1,550,299</u>
Total Federal Financial Assistance		<u><u>\$1,558,245</u></u>	<u><u>\$1,550,299</u></u>

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FEDERAL AWARDS EXPENDITURES ADMINISTERED FOR OTHER GOVERNMENTS

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

District	Fiscal Year 2014 Award Amount Special Education Preschool Grant
Minster Local School District	\$ 6,128
New Bremen Local School District	7,125
New Knoxville Local School District	3,564
St. Marys City School District	23,814
Total Grant	\$40,631

NOTE C - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The Educational Service Center transferred the following amounts from 2013 to 2014 programs:

Program Title	CFDA Number	Amount Transferred from 2013 to 2014
Special Education Grants to States	84.027	\$73,614
Special Education State Personnel Development	84.323	\$53,614

NOTE D – STATE SUPPORT TEAM REGION 6 (SST6)

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, Auglaize County, (the Educational Service Center) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated March 11, 2015 wherein we noted the Educational Service Center uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 11, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Educational Service Center's compliance for the Educational Service Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Auglaize 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 fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Educational Service Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 Educational Service Center's internal control over compliance.

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

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

This report only describes the scope of our internal control 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

March 11, 2015

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. 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 the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Adm. Code § 117-2-03 (B) requires all school districts, including educational service centers, to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The Educational Service Center prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38 the Educational Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Educational Service Center should prepare the financial statements according to generally accepted accounting principles to provide the users with more complete and meaningful financial statements.

OFFICIALS' RESPONSE:

We did not receive a response from Officials to the Finding reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE 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; <i>Explain</i>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – failed to file financial statements in accordance with generally accepted accounting principles (GAAP).	No	Repeated as Finding 2014-001

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AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2015**