



Dave Yost • Auditor of State

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Auglaize County Educational Service Center
Auglaize County
1045 Dearbaugh Ave.
Wapakoneta, Ohio 45895

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auglaize County Educational Service Center, Auglaize County, Ohio (the Center), as of and for the fiscal year ended June 30, 2010, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Auglaize County Educational Service Center, Auglaize County, Ohio, as of June 30, 2010, and the respective changes in cash financial position thereof, for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2011, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The budgetary comparison schedules for the General Fund and the Autism Fund provide additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by 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 basic financial statements. The budgetary comparison schedules and the Schedule of Federal Awards Receipts and Expenditure is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 8, 2011

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of Auglaize County Educational Service Center's (the Center) financial performance provides an overview of the Educational Service Center's financial activities for the fiscal year ended June 30, 2010, within the limitations of the cash basis of accounting. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole.

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 Center's cash basis of accounting.

The 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 Center's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

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

The statement of net assets and the statement of activities provide information about the cash activities of the whole 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 Center's most significant funds, with all other non-major funds presented in total in a single column. For the Center, the General Fund and the Autism Special Revenue Fund are the most significant funds.

Reporting The Educational Service Center As A Whole

The statement of net assets and the statement of activities reflect how the Center did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the Center at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the Center's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the 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 Center's general receipts.

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

In the statement of net assets and the statement of activities, all of the Center's activities are presented as governmental activities including instruction, support services, and non-instructional service disbursements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Reporting The 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 Center's most significant funds. The Center's major governmental funds are the General Fund and the Autism Special Revenue Fund.

Governmental Funds - All of the 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 Center's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The Center As A Whole

Table 1 provides a summary of the Center's net assets for fiscal year 2010 and fiscal year 2009:

Table 1 Net Assets			
	2010	2009 (Restated)	Change
Assets:			
Cash and Cash Equivalents	\$1,752,929	\$2,385,832	(\$632,903)
Net Assets:			
Restricted	121,731	97,097	(22,441)
Unrestricted	1,631,198	2,288,735	(610,462)
Total Net Assets	\$1,752,929	\$2,385,832	(\$632,903)

Total net assets decreased 27 percent. The decrease in unrestricted net assets was partially the result of negative cash balances within restricted assets where funding was not received prior to fiscal year end to cover all costs associated with those programs. Disbursements continue to exceed receipts.

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2 Change in Net Assets			
	2010	2009 (Restated)	Change
Receipts:			
Program Receipts:			
Charges for Services	\$5,735,579	\$5,649,698	\$85,881
Operating Grants and Contributions	2,170,658	3,062,725	(892,067)
Total Program Receipts	7,906,237	8,712,423	(806,186)

(Continued)

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

	2010	2009 (Restated)	Change
General Receipts:			
Grants and Entitlements	268,860	276,739	(7,879)
Interest	11,151	27,753	(16,602)
Miscellaneous	104,781	119,069	(14,288)
Total General Receipts	<u>384,792</u>	<u>423,561</u>	<u>(38,769)</u>
Total Receipts	<u>8,291,029</u>	<u>9,135,984</u>	<u>(844,955)</u>
Disbursements:			
Instruction:			
Regular	1,572,632	1,491,768	(80,864)
Special	3,169,464	2,988,059	(181,405)
Support Services:			
Pupils	1,582,167	1,600,758	18,591
Instructional Staff	374,249	758,633	384,384
Board of Education	10,417	19,316	8,899
Administration	1,756,982	1,865,741	108,759
Fiscal	237,138	271,496	34,358
Operation and Maintenance of Plant	114,031	90,565	(23,466)
Pupil Transportation	60,677	52,074	(8,603)
Central	41,375	64,834	23,459
Intergovernmental		44,333	44,333
Debt Service:			
Principal Retirement	4,800	9,600	4,800
Total Disbursements	<u>8,923,932</u>	<u>9,257,177</u>	<u>333,245</u>
Decrease in Net Assets	<u>(632,903)</u>	<u>(121,193)</u>	<u>(511,710)</u>
Net Assets at Beginning of Year	<u>2,385,832</u>	<u>2,507,025</u>	<u>(121,193)</u>
Net Assets at End of Year	<u><u>\$1,752,929</u></u>	<u><u>\$2,385,832</u></u>	<u><u>(\$632,903)</u></u>

Program receipts during fiscal year 2010 represented 95 percent of total receipts which is consistent with fiscal year 2009. The program receipts are primarily charges for services that represented charges for educational instruction programs and support services provided to the school districts served by the Center. The Center provides services to two city school districts, four local school districts, and two community schools. Operating grants and contributions decreased as several programs financed with state and federal grants were finalized in fiscal year 2009.

Disbursements in fiscal year 2010 decreased by 3.6 percent. Regular and special instruction disbursements increased from pay increases and health care costs. Almost all support services disbursements decreased as special projects funded with state and federal funding were finalized.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$1,572,632	\$1,491,768	\$1,280,375	\$ 904,096
Special	3,169,464	2,988,059	(3,787,544)	(4,712,806)
Support Services:				
Pupils	1,582,167	1,600,758	1,011,755	1,375,967
Instructional Staff	374,249	758,633	374,249	758,633
Board of Education	10,417	19,316	10,417	19,316
Administration	1,756,982	1,865,741	1,756,982	1,865,741
Fiscal	237,138	271,496	211,157	147,103
Operation and Maintenance of Plant	114,031	90,565	114,031	90,565
Pupil Transportation	60,677	52,074	46,293	35,862
Central	41,375	64,834	(4,820)	6,344
Intergovernmental		44,333		44,333
Debt Service:				
Principal Retirement	4,800	9,600	4,800	9,600
Total Disbursements	<u>\$8,923,932</u>	<u>\$9,257,177</u>	<u>\$1,017,695</u>	<u>\$544,754</u>

Program receipts provided for 89 percent of the Center's costs for services which is a decrease of 5 percent from fiscal year 2009. Several programs financed with state and federal grants were discontinued for fiscal year 2010.

Instructional programs are charged to school districts and recorded by the 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.

The Center's Funds

The Center's governmental funds are accounted for using the cash basis of accounting. Fund balance in the General Fund decreased by 15 percent. Receipts increased slightly; however, disbursements increased over 6 percent. Costs paid by various grants in the prior fiscal year had to be paid from the General Fund in fiscal year 2010.

Fund Balance in the Autism Special Revenue Fund decreased as receipts are not drawn down timely to cover disbursements as they occur.

General Fund Budgeting Highlights

The Center's budget is prepared according to the requirements specified by the Board of Education and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2010, the Center amended its General Fund budget as needed. There was no change from the original budget to the final budget for receipts and the change from the final budget to actual receipts was not significant. For disbursements, changes from the original budget to the final budget increased 8 percent as costs paid by various grants in the prior fiscal year were paid by the General Fund in fiscal year 2010. The change from final budget to actual disbursements was not significant.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Current Issues

The budget for fiscal year 2011 approved by the Board of Education for the General Fund was \$6,574,698, which is slightly less than the fiscal year 2010 budget.

The 21st Century and Praxis programs that were funded in fiscal year 2009 were finalized in fiscal year 2010. The Center discontinued the autistic program with Betty's Farm in July 2010. The Center did not start up any new programs in fiscal year 2011.

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 ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,752,929</u>
Net Assets:	
Restricted for:	
Other Purposes	121,731
Unrestricted	<u>1,631,198</u>
Total Net Assets	<u><u>\$1,752,929</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, 2010**

	<u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursement) Receipt and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$1,572,632	\$205,237	\$87,020	(\$1,280,375)
Special	3,169,464	4,893,040	2,063,968	3,787,544
Support Services:				
Pupils	1,582,167	570,412		(1,011,755)
Instructional Staff	374,249			(374,249)
Board of Education	10,417			(10,417)
Administration	1,756,982			(1,756,982)
Fiscal	237,138	25,981		(211,157)
Operation and Maintenance of Plant	114,031			(114,031)
Pupil Transportation	60,677		14,384	(46,293)
Central	41,375	40,909	5,286	4,820
Debt Service:				
Principal Retirement	4,800			(4,800)
Total Governmental Activities	<u>\$8,923,932</u>	<u>\$5,735,579</u>	<u>\$2,170,658</u>	<u>(1,017,695)</u>
General Receipts:				
Grants and Entitlements not Restricted to Specific Programs				268,860
Interest				11,151
Miscellaneous				104,781
Total General Receipts				<u>384,792</u>
Change in Net Assets				(632,903)
Net Assets at Beginning of Year - Restated (Note 3)				<u>2,385,832</u>
Net Assets at End of Year				<u>\$1,752,929</u>

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, 2010**

	<u>General</u>	<u>Autism</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,979,369</u>	<u>(\$188,964)</u>	<u>(\$37,476)</u>	<u>\$1,752,929</u>
Fund Balances:				
Reserved for Encumbrances	120,435	11,027	77,263	208,725
Unreserved, Reported in:				
General Fund	1,858,934			1,858,934
Special Revenue Funds (Deficit)		<u>(199,991)</u>	<u>(114,739)</u>	<u>(314,730)</u>
Total Fund Balances (Deficit)	<u>\$1,979,369</u>	<u>(\$188,964)</u>	<u>(\$37,476)</u>	<u>\$1,752,929</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, 2010**

	<u>General</u>	<u>Autism</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:				
Intergovernmental	\$1,001,462	\$994,886	\$443,170	\$2,439,518
Interest	11,151			11,151
Tuition and Fees	352,494			352,494
Extracurricular Activities			11,470	11,470
Customer Services	5,341,339		25,578	5,366,917
Miscellaneous	90,791	16,588	2,100	109,479
Total Receipts	<u>6,797,237</u>	<u>1,011,474</u>	<u>482,318</u>	<u>8,291,029</u>
Disbursements:				
Current:				
Instruction:				
Regular	1,522,630		50,002	1,572,632
Special	3,159,505		9,959	3,169,464
Support Services:				
Pupils	1,516,372		65,795	1,582,167
Instructional Staff	127,814	211,093	35,342	374,249
Board of Education	10,417			10,417
Administration	458,989	885,943	412,050	1,756,982
Fiscal	178,592	43,580	14,966	237,138
Operation and Maintenance of Plant	71,153	32,478	10,400	114,031
Pupil Transportation	60,677			60,677
Central	35,924	3,165	2,286	41,375
Debt Service:				
Principal Retirement	4,800			4,800
Total Disbursements	<u>7,146,873</u>	<u>1,176,259</u>	<u>600,800</u>	<u>8,923,932</u>
Changes in Fund Balances	(349,636)	(164,785)	(118,482)	(632,903)
Fund Balances (Deficit) at Beginning of Year - Restated (Note 3)	<u>2,329,005</u>	<u>(24,179)</u>	<u>81,006</u>	<u>2,385,832</u>
Fund Balances (Deficit) at End of Year	<u>\$1,979,369</u>	<u>(\$188,964)</u>	<u>(\$37,476)</u>	<u>\$1,752,929</u>

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010**

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$48,372</u>
Net Assets:	
Undistributed Assets	<u>\$48,372</u>

See accompanying notes to the basic financial statements.

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1 DESCRIPTION OF THE AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Auglaize County Educational Service Center (the Center) is located in Wapakoneta, Ohio, the county seat. The 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 Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Center has eleven administrators, eighty-three classified employees, and sixty-two certified employees who provide services to the local and city school districts and the community schools.

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. There are no component units of the Center.

The Center is associated with two jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Schools of Ohio Risk Sharing Authority, Mercer Auglaize School Employee Benefit Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Center's accounting policies.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the Center at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the 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 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 Center's general receipts.

2. Fund Financial Statements

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

1. Governmental Funds

The Center classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The 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 Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Autism Fund - The Autism Fund is used to account for IDEA B federal grants that are used to provide support services to teachers.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Center's own programs. The Center did not have any trust funds in fiscal year 2010. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency fund accounts for the remaining cash balance held for the discontinued West Central Ohio Special Education Regional Resource Center.

C. Basis of Accounting

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

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

D. Cash and Investments

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

During fiscal year 2010, the Center's investments were limited to nonnegotiable certificates of deposit.

The Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$11,151 of which none was assigned from other 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 Center.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Employer’s Contributions to Cost-Sharing Pension Plans

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

H. Long-Term Obligations

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

I. Net Assets

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

J. Fund Balance Reserves

The Center reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

K. Flow-Through Grants

The Center is the primary recipient of grants which are passed through or spent on behalf of the local and city school districts. When the 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 2010, this consisted of the Preschool Handicapped special revenue funds.

3. RESTATEMENT OF FUND BALANCE/NET ASSETS

In the prior fiscal year, the Center recorded the Region 6 Support Service Team as an agency fund. It should have been recorded as a special revenue fund. The restatement had the following effect on fund balance of the major and non-major funds of the Center as follows:

	General	Autism	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2009	\$2,329,005		\$ 4,096	\$2,333,101
Change in Fund Structure			52,731	52,731
Major Fund in FY 2010		(\$24,179)	24,179	0
Adjusted Fund Balance at June 30, 2009	<u>\$2,329,005</u>	<u>(\$24,179)</u>	<u>\$81,006</u>	<u>\$2,385,832</u>

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. RESTATEMENT OF FUND BALANCE/NET ASSETS

The restatement had the following effect on net assets as previously reported.

	Governmental Activities
Net Assets at June 30, 2009	\$2,333,101
Change in Fund Structure	52,731
Restated Net Assets at June 30, 2009	<u>\$2,385,832</u>

4. COMPLIANCE

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

5. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the 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 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;

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

6. STATE FUNDING

The Center, under State law, provides supervisory services to the local school districts within its territory. Each city school district that entered into an agreement with the 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 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 Center. The Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

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

The 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 Center.

7. RISK MANAGEMENT

The 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 2010, the Center contracted for the following insurance coverage.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

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

Property	\$3,708,365
General Liability	
Per Occurrence	3,000,000
Aggregate	5,000,000
Automobile Liability	3,000,000

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

For fiscal year 2010, the 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 Center participates in the Mercer Auglaize School Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven school districts and two educational service centers. The Center pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 may 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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8 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 - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$471,889, \$470,335, and \$409,085 respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$36,526 made by the Center and \$26,090 made by the plan members.

B. School Employees Retirement System

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8 DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the Center was required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$209,728, \$142,634 and \$138,301 respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

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, 2010, two of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The Center contributes to 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. 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 may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$39,109, \$37,136, and \$32,157 respectively; 90 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The Center contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations 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 is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 401h. For fiscal year 2010, .46 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 2010, this amount was \$25,878.

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 Center's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$7,549, \$65,276, and \$63,111 respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 2010, this actuarially required allocation was .76 percent of covered payroll. The Center's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$12,472, \$11,769, and \$9,965 respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The Center offers medical and dental insurance to most employees through the Mercer Auglaize School Employee Benefit Trust. Vision insurance is offered through the Vision Services Plan. In addition, the Center offers life insurance through AIG.

11. LONG-TERM OBLIGATIONS

Changes in the Center's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Loans Payable	\$4,800	\$0	\$4,800	\$0

In fiscal year 2000, the Center entered into a loan agreement with the Auglaize County Commissioners for the construction of a new building. The agreement required a repayment of \$9,600 per year for ten years. The loan was fully repaid on November 1, 2009. The loan was interest free and was repaid from the General Fund.

12. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The 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 2010, the Center paid \$35,809 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 Center is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. INSURANCE POOLS

A. Schools of Ohio Risk Sharing Authority

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

B. Mercer Auglaize School Employee Benefit Trust

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from James Mauntler, JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

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

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. CONTINGENCIES

A. Grants

The 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 Center at June 30, 2010.

B. Litigation

The School District is defendant in a lawsuit. Although management cannot presently determine the outcome of the suit, they believe the resolution of the matter will not materially adversely affect the School District's financial condition.

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Intergovernmental	\$1,202,000	\$1,202,000	\$1,001,462	(\$200,538)
Interest	14,000	14,000	11,151	(2,849)
Tuition and Fees			352,494	352,494
Customer Services	5,355,550	5,355,550	5,341,339	(14,211)
Miscellaneous	67,559	67,559	90,791	23,232
Total Receipts	<u>6,639,109</u>	<u>6,639,109</u>	<u>6,797,237</u>	<u>158,128</u>
Disbursements:				
Current:				
Instruction:				
Regular	1,426,964	1,552,764	1,532,192	20,572
Special	2,931,386	3,250,735	3,187,236	63,499
Support Services:				
Pupils	1,501,043	1,561,043	1,551,687	9,356
Instructional Staff	253,392	253,392	128,463	124,929
Board of Education	16,311	16,311	15,561	750
Administration	485,999	490,999	469,763	21,236
Fiscal	167,000	198,000	194,900	3,100
Operation and Maintenance of Plant	65,264	75,264	74,572	692
Pupil Transportation	55,814	72,814	69,136	3,678
Central	50,000	66,000	38,998	27,002
Debt Service:				
Principal Retirement	9,600	9,600	4,800	4,800
Total Disbursements	<u>6,962,773</u>	<u>7,546,922</u>	<u>7,267,308</u>	<u>279,614</u>
Changes in Fund Balance	(323,664)	(907,813)	(470,071)	437,742
Fund Balance at Beginning of Year	2,282,232	2,282,232	2,282,232	
Prior Year Encumbrances Appropriated	46,773	46,773	46,773	
Fund Balance at End of Year	<u><u>\$2,005,341</u></u>	<u><u>\$1,421,192</u></u>	<u><u>\$1,858,934</u></u>	<u><u>\$437,742</u></u>

See accompanying notes to the supplementary information.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
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**BUDGETARY COMPARISON SCHEDULE
AUTISM FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Intergovernmental	\$1,231,807	\$1,231,807	\$994,886	(\$236,921)
Miscellaneous	16,588	16,588	16,588	
Total Receipts	<u>1,248,395</u>	<u>1,248,395</u>	<u>1,011,474</u>	<u>(236,921)</u>
Disbursements:				
Current:				
Support Services:				
Instructional Staff	159,872	288,905	213,368	75,537
Administration	752,782	900,709	894,695	6,014
Fiscal	43,580	43,580	43,580	
Operation and Maintenance of Plant	44,600	45,400	32,478	12,922
Central	4,749	4,749	3,165	1,584
Total Disbursements	<u>1,005,583</u>	<u>1,283,343</u>	<u>1,187,286</u>	<u>96,057</u>
Excess of Receipts Over (Under) Disbursements	242,812	(34,948)	(175,812)	(140,864)
Other Financing Sources:				
Transfers In	42,540	42,540		(42,540)
Changes in Fund Balance	285,352	7,592	(175,812)	(183,404)
Fund Balance (Deficit) at Beginning of Year	(57,394)	(57,394)	(57,394)	
Prior Year Encumbrances Appropriated	33,215	33,215	33,215	
Fund Balance (Deficit) at End of Year	<u>\$261,173</u>	<u>(\$16,587)</u>	<u>(\$199,991)</u>	<u>(\$183,404)</u>

See accompanying notes to the supplementary information.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

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**AULGAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Education			
(Passed through Ohio Department of Education)			
English Language Acquisition Grants	84.365		\$47
Special Education Cluster:			
Auglaize County Educational Service Center			
Special Education Preschool Grants	84.173	\$6,580	65,796
State Support Team Region 6			
Special Education Preschool Grants	84.173	35,900	30,652
Total Special Education Preschool Grants		<u>42,480</u>	<u>96,448</u>
State Support Team Region 6			
Special Education Grants to States	84.027	994,887	1,176,261
Total Special Education Cluster		<u>1,037,367</u>	<u>1,272,709</u>
Title 1 Cluster			
State Support Team Region 6			
Title I, Grants to Local Educational Agencies	84.010	13,500	12,664
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	7,847	10,531
Total Title 1 Cluster		<u>21,347</u>	<u>23,195</u>
Special Education State Personnel Development	84.323	14,168	12,644
Total U.S. Department of Education		<u>1,072,882</u>	<u>1,308,595</u>
Total Federal Financial Assistance		<u>\$1,072,882</u>	<u>\$1,308,595</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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FEDERAL AWARDS EXPENDITURES ADMINISTERED FOR OTHER GOVERNMENTS

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

<u>Special Education Preschool Grants</u>		
Minster	9.4%	\$ 6,211
New Bremen	11.0%	7,252
New Knoxville	5.6%	3,678
St. Marys CSD	37.1%	24,390
Wapakoneta CSD	28.2%	18,572
Waynesfield Goshen	8.7%	5,693
Total	100.0%	\$65,796

NOTE C- STATE SUPPORT TEAM REGION 6 (SST6)

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



Dave Yost • Auditor of State

Auglaize County Educational Service Center
Auglaize County
1045 Dearbaugh Ave.
Wapakoneta, Ohio 45895

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, Auglaize County, (the Center) as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 8, 2011, wherein we noted the Center used a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated March 8, 2011.

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Auglaize County Educational Service Center
Auglaize County
Independent Accountants' Report On Internal Control Over
Financial Reporting and on Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

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

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

March 8, 2011



Dave Yost • Auditor of State

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

Auglaize County Educational Service Center
Auglaize County
1045 Dearbaugh Ave.
Wapakoneta, Ohio 45895

To the Board of Education:

Compliance

We have audited the compliance of the Auglaize County Educational Service Center, Auglaize County (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Educational Service Center's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

As described in finding 2010-02 in the accompanying schedule of findings, the Center did not comply with requirements regarding *reporting* applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the Center to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Auglaize County Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-02 to be a material weakness.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Center's management in a separate letter dated March 8, 2011.

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



Dave Yost
Auditor of State

March 8, 2011

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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?	Yes
<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	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States – CFDA #84.027 Special Education Preschool Grants – CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-01

Noncompliance Citation

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

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

To help provide the users with more meaningful financial statements, the Center should prepare their financial statements according to generally accepted accounting principles.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-02
CFDA Title and Number	Special Education Cluster (Special Education Grants to States CFDA #84.027, Special Education Preschool Grants CFDA #84.173)
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation / Material Weakness

34 CFR 80.20(b)(1) states that the financial management systems of other grantees and sub-grantees must meet the following standard for financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant.

The Ohio Department of Education (ODE) sub grants these funds to the Center and to the Region 6 State Support Team for which the Center acts as the fiscal agent. Consolidated Application Assurances Item 37 states that the SUBGRANTEE will have effective financial management systems which conform to the standards in 34 CFR 80.20, which include, but is not limited to, the ability to report financial data verifying compliance with program regulations and maintaining effective internal control over the operations of the approved grant.

FINDING NUMBER 2010-02
(Continued)

The Ohio Department of Education's CCIP Final Expenditure Report – Completion Steps Memo, dated June 10, 2004, states that online Final Expenditure Reports (FERs) must be completed online and may be started after June 30th, the end of the fiscal year. In addition, each Funding Application within the CCIP has its own separate final expenditure report. Each agency must ensure each FER is submitted to ODE with Superintendent approval no later than September 30.

Contrary to the standards and procedures designated by ODE, the Center was unable to provide proper supporting documentation for the Special Education grant reports submitted to ODE during fiscal year 2010. The following errors were noted in the financial reporting for the Special Education Grants:

- The last project cash request for the fiscal year 2009 Special Education Grants to States grant included accurate fiscal information as of June 30, 2009; however, an advance of 10 percent was included in the request. The outstanding purchase orders at June 30, 2009 totaled \$33,215, but the advance amount requested was \$94,951; which resulted in an over-draw of \$61,736 on the fiscal year 2009 grant. A portion of this overage, in the amount of \$42,540, was transferred to the fiscal year 2010 grant as a carryover that was approved by ODE.
- The final expenditure report filed for the fiscal year 2009 Special Education Grants to States grant was found to have inaccurate amounts that did not agree to the Center's USAS reports for this grant. The total amount reported to ODE was \$40,663 less than the actual expenditures from this grant.
- The final expenditure report for the fiscal year 2009 Special Education Preschool grant was not submitted to ODE with Superintendent approval until June 22, 2010, and the deadline was September 30, 2009.
- The project cash requests for the fiscal year 2010 Special Education Grants to States grant reported amounts that did not agree to the Center's USAS reports at the time the requests were made. The Project Cash Request forms submitted on October 14, 2009 understated receipts by \$94,951 which is equal to 10 percent of the grant allocation for fiscal year 2010; and the form submitted on April 26, 2010 understated receipts by \$178,153. The understatement of actual receipts resulted in under-drawing the grant funds, and required the Center to use their General Fund monies to operate the grant.
- The only project cash request received for the fiscal year 2010 Special Education Preschool grant was the initial 10 percent allocation sent by ODE. This receipt of \$6,580 was originally recorded in the General Fund, and there were no subsequent expenditures or further project cash requests during fiscal year 2010. This recording error and related expenditures were subsequently corrected. Subsequent project cash request were made for the remaining allocation, but the funds were not received from ODE until fiscal year 2011, which required the Center to use their General Fund monies to operate this grant during fiscal year 2010.
- The fiscal year 2010 Special Education Grants to States grant had expenditures in the amount of \$28,000 that were initially recorded in a separate fund for the first half of fiscal year 2010. This recording error was subsequently corrected. The Project Cash Request form submitted on January 13, 2010, understated actual expenditures by \$10,000. The understatement of actual expenditures resulted in under-drawing the grant funds and required the Center to use their General fund monies to operate the grant.

**FINDING NUMBER 2010-02
(Continued)**

The failure to correctly record grant activity and to prepare accurate reports may impact the Center's ability to receive federal funding. The lack of federal funding could significantly impact the Center's ability to continue some programs.

The Center should follow the ODE standards and procedures for reporting, along with the recording of revenues and expenditures in accordance with the Uniform School Accounting System. In addition, the Center should adopt formal policies and procedures for cash management and reporting that include, but are not limited to, the following:

- Establishing responsibility and providing the procedures for periodic monitoring, verification, and reporting of program progress and accomplishments.
- Tracking system which reminds staff when reports are due.
- The general ledger or other reliable records are the basis for the reports.
- Supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports prior to submission.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP.	No	Repeated as finding 2010-01

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-02	We are currently making monthly draw downs from CCIP for grants. They are being receipted into the correct grants and not the general fund.	July 1, 2010	Kristy Weaks, Treasurer



Dave Yost • Auditor of State

AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2011**