



**Dave Yost • Auditor of State**



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula County Educational Service Center, Ashtabula County, Ohio (the Center), as of and for the year ended June 30, 2012, 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 Ashtabula County Educational Service Center, Ashtabula County, Ohio, as of June 30, 2012, and the respective changes in cash financial position thereof for the 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 January 14, 2013, on our consideration of the Ashtabula County 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Dave Yost**  
Auditor of State

January 14, 2013

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2012*  
*Unaudited*

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This discussion and analysis of the Ashtabula County Educational Service Center's (the Service Center) financial performance provides an overall review of the Service Center's financial activities for the fiscal year ended June 30, 2012, within the limitations of the Service Center's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Service Center's financial performance.

### **Highlights**

Key highlights for 2012 are as follows:

- The Service Center is having continued success with programs initiated in fiscal year 2010. These programs include, but are not limited to, OT/PT services, Autism Unit Program, Building Bridges II Program as well as School Improvement Academic Coaching services. These services were a continued success during fiscal year 2012.
- Net assets of governmental activities decreased from fiscal year 2011. This decrease is the result of the Service Center receiving less funding in the form of operating grants combined with increased special education costs from additional programs.
- Total revenues were comprised of general revenues and program specific revenues from charges for services and operating grants and contributions.
- The general fund had expenditures that exceeded revenues which were offset by the return of prior year advances from various grant funds. This again was the result of increased special education costs from additional programs.
- The IDEA Part-B special revenue fund had revenues that were exceeded by expenditures. The net effect was offset by advances from the general fund, resulting in a decrease to the IDEA Part-B special revenue fund's fund balance.

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

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

### **Report Components**

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

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

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

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2012*  
*Unaudited*

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### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Service Center has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Service Center's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

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

The statement of net assets and the statement of activities reflect how the Service Center did financially during 2012 within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Service Center at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Service Center's general receipts.

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

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

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

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

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



**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2012  
Unaudited

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

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

**The Service Center as a Whole**

Table 1 provides a summary of the Service Center's net assets for 2012 compared to 2011 on a cash basis:

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

	2012	2011	Change
<b>Assets</b>			
Cash and Cash Equivalents	\$2,160,425	\$2,611,985	(\$451,560)
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$63,701	\$79,023	(\$15,322)
Unrestricted	2,096,724	2,532,962	(436,238)
Total Net Assets	\$2,160,425	\$2,611,985	(\$451,560)

As mentioned previously, net assets of governmental activities decreased during 2012. This decrease is a result of an increase to special education costs from additional programs.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2012  
Unaudited

Table 2 reflects the changes in net assets in 2012 compared to 2011.

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

	2012	2011	Change
<b>Receipts:</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$2,278,080	\$2,280,937	(\$2,857)
Operating Grants and Contributions	1,584,860	2,002,214	(417,354)
<b>Total Program Receipts</b>	<b>3,862,940</b>	<b>4,283,151</b>	<b>(420,211)</b>
<i>General Receipts:</i>			
Grants and Entitlements Not Restricted to Specific Programs	5,691,115	5,408,070	283,045
Unrestricted Contributions and Donations	225	800	(575)
Interest	7,309	16,063	(8,754)
Miscellaneous	64,448	62,226	2,222
<b>Total General Receipts</b>	<b>5,763,097</b>	<b>5,487,159</b>	<b>275,938</b>
<b>Total Receipts</b>	<b>9,626,037</b>	<b>9,770,310</b>	<b>(144,273)</b>
<b>Disbursements:</b>			
<i>Instruction:</i>			
Regular	73,053	65,181	7,872
Special	3,142,101	2,864,847	277,254
Adult/Continuing	124,944	136,623	(11,679)
Student Intervention Services	475,185	494,004	(18,819)
<i>Support Services:</i>			
Pupil	2,227,619	2,390,942	(163,323)
Instructional Staff	2,291,656	2,368,867	(77,211)
Board of Education	21,740	33,120	(11,380)
Administration	901,949	863,864	38,085
Fiscal	295,554	361,549	(65,995)
Operation and Maintenance of Plant	187,835	143,307	44,528
Pupil Transportation	5,519	18,986	(13,467)
Central	37,693	28,794	8,899
Capital Outlay	292,749	0	292,749
<b>Total Disbursements</b>	<b>10,077,597</b>	<b>9,770,084</b>	<b>307,513</b>
Change in Net Assets	(451,560)	226	(451,786)
Net Assets Beginning of Year	2,611,985	2,611,759	226
Net Assets End of Year	<b>\$2,160,425</b>	<b>\$2,611,985</b>	<b>(\$451,560)</b>

Program revenues represent 40.1 percent of the total receipts and are primarily comprised of funds used to cover services provided to the school districts, tuition and operating grants.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2012  
Unaudited

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Service Center. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for special instruction and support services instructional staff. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Service Center that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local sources. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2012	Net Cost of Services 2012	Total Cost Of Services 2011	Net Cost of Services 2011
<b>Instruction:</b>				
Regular	\$73,053	(\$28,344)	\$65,181	(\$25,337)
Special	3,142,101	(1,768,035)	2,864,847	(1,102,785)
Adult/Continuing	124,944	19,057	136,623	3,270
Student Intervention Services	475,185	(76,333)	494,004	(79,718)
<b>Support Services:</b>				
Pupil	2,227,619	(1,545,791)	2,390,942	(1,748,159)
Instructional Staff	2,291,656	(1,485,044)	2,368,867	(1,539,187)
Board of Education	21,740	(19,868)	33,120	(32,347)
Administration	901,949	(598,633)	863,864	(564,966)
Fiscal	295,554	(226,887)	361,549	(263,190)
Operation and Maintenance of Plant	187,835	(155,990)	143,307	(103,491)
Pupil Transportation	5,519	(147)	18,986	(2,229)
Central	37,693	(35,893)	28,794	(28,794)
Capital Outlay	292,749	(292,749)	0	0
<b>Total Expenses</b>	<b>\$10,077,597</b>	<b>(\$6,214,657)</b>	<b>\$9,770,084</b>	<b>(\$5,486,933)</b>

**The Government's Funds**

Information regarding the Service Center's major funds starts on page 11. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues of \$9,626,037 and total expenditures of \$10,077,597. The net change in governmental fund balance for the year was most significant in the general fund which had a decrease due to an increase in special education disbursements from new programs.

**Capital Assets**

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

**Ashtabula County Educational Service Center**

*Management's Discussion and Analysis*

*For the Year Ended June 30, 2012*

*Unaudited*

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**Current Issues**

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

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

**Contacting the Government's Financial Management**

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

**Ashtabula County Educational Service Center**

*Statement of Net Assets - Cash Basis*

*June 30, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,160,425</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$63,701
Unrestricted	<u>2,096,724</u>
<i>Total Net Assets</i>	<u>\$2,160,425</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2012*

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$73,053	\$12,532	\$32,177	(\$28,344)
Special	3,142,101	753,203	620,863	(1,768,035)
Adult/Continuing	124,944	39,135	104,866	19,057
Student Intervention Services	475,185	398,852	0	(76,333)
Support Services:				
Pupil	2,227,619	532,511	149,317	(1,545,791)
Instructional Staff	2,291,656	424,730	381,882	(1,485,044)
Board of Education	21,740	1,872	0	(19,868)
Administration	901,949	30,954	272,362	(598,633)
Fiscal	295,554	52,552	16,115	(226,887)
Operation and Maintenance of Plant	187,835	26,367	5,478	(155,990)
Pupil Transportation	5,519	5,372	0	(147)
Central	37,693	0	1,800	(35,893)
Capital Outlay	292,749	0	0	(292,749)
<b>Total</b>	<b>\$10,077,597</b>	<b>\$2,278,080</b>	<b>\$1,584,860</b>	<b>(6,214,657)</b>
<b>General Receipts</b>				
Grants and Entitlements not Restricted to Specific Programs				5,691,115
Unrestricted Contributions and Donations				225
Interest				7,309
Miscellaneous				64,448
<i>Total General Receipts</i>				<u>5,763,097</u>
Change in Net Assets				(451,560)
<i>Net Assets Beginning of Year</i>				<u>2,611,985</u>
<i>Net Assets End of Year</i>				<u>\$2,160,425</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,096,724	\$63,701	\$2,160,425
<b>Fund Balances</b>			
Restricted	\$0	\$63,701	\$63,701
Assigned	81,210	0	81,210
Unassigned	2,015,514	0	2,015,514
<i>Total Fund Balances</i>	\$2,096,724	\$63,701	\$2,160,425

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	IDEA Part-B	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Intergovernmental	\$5,714,669	\$1,338,253	\$223,053	\$7,275,975
Interest	7,309	0	0	7,309
Tuition and Fees	449,909	0	71,465	521,374
Contributions and Donations	225	0	0	225
Charges for Services	1,756,706	0	0	1,756,706
Miscellaneous	64,448	0	0	64,448
<i>Total Receipts</i>	<u>7,993,266</u>	<u>1,338,253</u>	<u>294,518</u>	<u>9,626,037</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	60,368	0	12,685	73,053
Special	2,494,808	574,544	72,749	3,142,101
Adult/Continuing	0	0	124,944	124,944
Student Intervention Services	474,397	788	0	475,185
Support Services:				
Pupil	2,071,340	154,359	1,920	2,227,619
Instructional Staff	1,857,683	371,301	62,672	2,291,656
Board of Education	21,740	0	0	21,740
Administration	614,385	285,226	2,338	901,949
Fiscal	274,589	15,244	5,721	295,554
Operation and Maintenance of Plant	179,616	0	8,219	187,835
Pupil Transportation	5,519	0	0	5,519
Central	35,893	0	1,800	37,693
Capital Outlay	292,749	0	0	292,749
<i>Total Disbursements</i>	<u>8,383,087</u>	<u>1,401,462</u>	<u>293,048</u>	<u>10,077,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(389,821)</u>	<u>(63,209)</u>	<u>1,470</u>	<u>(451,560)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	20,118	57,582	8,953	86,653
Advances Out	(66,535)	(13,410)	(6,708)	(86,653)
<i>Total Other Financing Sources (Uses)</i>	<u>(46,417)</u>	<u>44,172</u>	<u>2,245</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(436,238)	(19,037)	3,715	(451,560)
<i>Fund Balances Beginning of Year</i>	<u>2,532,962</u>	<u>19,037</u>	<u>59,986</u>	<u>2,611,985</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,096,724</u></u>	<u><u>\$0</u></u>	<u><u>\$63,701</u></u>	<u><u>\$2,160,425</u></u>

See accompanying notes to the basic financial statements



**Ashtabula County Educational Service Center**  
*Statement of Fiduciary Assets and Liabilities - Cash Basis*  
*Agency Fund*  
*June 30, 2012*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,694</u>
<b>Liabilities</b>	
Due to Others	<u>\$1,694</u>

See accompanying notes to the basic financial statements

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## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

In 1963, the Ashtabula County Educational Service Center (the Service Center) was formed. The Service Center supplies special education, supervisory, administrative, fiscal and other needed services to area school districts in Ashtabula County. The Service Center operates under a locally-elected five-member governing board form of government and provides educational services as mandated by State or federal agencies to four local and two city school districts. The Board controls the Service Center's staff who provide services to over 15,537 students and other community members in Ashtabula County.

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

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

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

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

Component units are legally separate organizations for which the Service Center is financially accountable. The Service Center is financially accountable for an organization if the Service Center appoints a voting majority of the organization's governing board and (1) the Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Service Center is legally entitled to or can otherwise access the organization's resources; the Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Service Center is obligated for the debt of the organization. The Service Center is also financially accountable for any organizations that are fiscally dependent on the Service Center in that the Service Center approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Service Center, are accessible to the Service Center and are significant in amount to the Service Center. The Service Center has no component units.

The Service Center participates in two jointly governed organizations, two insurance purchasing pools and one risk sharing pool. These organizations are the North East Ohio Management Information Network, the Ashtabula County Career and Technical Center, the Ohio School Plan, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan and the Ashtabula County Schools Council of Governments. These organizations are presented in Notes 12 and 13 to the basic financial statements.

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

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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 Service Center's accounting policies.

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

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

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

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

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

### ***Fund Accounting***

The Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Service Center are divided into two categories, governmental and fiduciary.

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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

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

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

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

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

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

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

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

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

During fiscal year 2012, the Service Center invested in a nonnegotiable certificate of deposit and STAR Ohio. Nonparticipating investment contracts such as nonnegotiable certificates of deposits are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2012 was \$7,309, which included \$216 assigned from other Service Center funds.

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

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

### ***Capital Assets***

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

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

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

### ***Accumulated Leave***

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

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

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

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

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

### ***Net Assets***

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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### ***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies and authorized purchase commitments by the Service Center Governing Board.

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

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

### **Note 3 – Compliance**

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

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 4 – Fund Balance**

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b><i>Restricted for</i></b>			
Instructional Staff	\$0	\$19,271	\$19,271
Latchkey	0	30,561	30,561
Bus Driver Training	0	13,374	13,374
Special Education	0	495	495
<i>Total Restricted</i>	0	63,701	63,701
<b><i>Assigned to</i></b>			
Other Purposes	81,210	0	81,210
<b><i>Unassigned</i></b>	<u>2,015,514</u>	<u>0</u>	<u>2,015,514</u>
<b><i>Total Fund Balances</i></b>	<u><u>\$2,096,724</u></u>	<u><u>\$63,701</u></u>	<u><u>\$2,160,425</u></u>

**Note 5 – Deposits and Investments**

Monies held by the 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 Service Center treasury. Active monies must be maintained either as cash in the Service Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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



## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
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); and
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. Investments may only be made through specified dealers and institutions.

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the Service Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$854,686 of the Service Center's bank balance of \$1,854,686 was uninsured and uncollateralized. A third party custodian holds the collateral in a pool, and the uninsured deposits covered by the pool would not be exposed to custodial credit risk because the collateral is held by the government's agent in the government's name.

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

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Investments**

As of June 30, 2012, the Service Center had STAR Ohio as the only investment with an amount of \$447,859 and a maturity of 52.5 days. The investment is in an internal investment pool.

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

### **Note 6 – State Funding**

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

The Service Center also receives funding from the State Department of Education in the amount of \$37 times the average daily membership of the school districts. Average daily membership includes the total student counts of all local school districts within the Service Center's territory and all of the Service Center's client school districts. This amount is paid from State resources. The Department of Education also deducts from the State foundation program settlement of each of the Service Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Service Center.

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

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

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

The Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Service Center joined together with other Service Centers in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual school district enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. The Service Center contracted with OSP for general liability with a \$1,000,000 per occurrence and \$3,000,000 aggregate and for errors and omissions with a \$1,000,000 per occurrence and \$3,000,000 aggregate.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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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.

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

The Service Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Service Center by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories.

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

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

The Service Center participates in the Ashtabula County Schools Council of Governments, a risk sharing pool (Note 14) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The Service Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Service Center's Board pays the entire cost of a monthly premium for all full-time employees.

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

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

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$192,568, \$183,204 and \$155,123, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$556,374 and \$10,696 for the fiscal year ended June 30, 2012, \$556,194 and \$10,143 for the fiscal year ended June 30, 2011, and \$544,326 and \$3,621 for the fiscal year ended June 30, 2010. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$3,251 made by the School District and \$2,322 made by the plan members. In addition, member contributions of \$7,640 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, .55 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 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$30,326 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 School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$38,665, \$38,161 and \$29,859, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010, were \$11,372, \$11,790 and \$9,225, respectively; 100 percent has been contribution for fiscal years 2012, 2011 and 2010.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$43,621, \$43,564 and \$42,150, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

**Note 10 – Contingent Liabilities**

***Grants***

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

***Litigation***

The Service Center is not party to legal proceedings.

**Note 11 - Interfund Balances**

Unpaid Interfund Cash Advances Owed to the General fund at June 30 from:	
IDEA Part-B	\$57,582
Bus Driver Training	7,400
Local Grants	5,000
Entry Year Teacher	4,062
Alternative Education	3,941
Preschool Grants	502
Title II-A	448
<i>Total All Funds</i>	\$78,935

These are expected to be repaid within one year.

**Note 12 - Jointly Governed Organizations**

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

The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization amount thirty Service Centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Service Centers. Each of the districts supports NEOMIN based upon a per pupil charge. The Service Center paid \$8,000 to NEOMIN during fiscal year 2012.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

### *Ashtabula County Career and Technical Center*

The Ashtabula County Career and Technical Center (CTC) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The CTC is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the Service Center is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

## **Note 13 – Public Entity Risk Pools**

### *Insurance Purchasing Pools*

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

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

### *Risk Sharing Pool*

**Ashtabula County Schools Council of Governments** The Service Center has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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Service Center pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the Service Center. The Service Center is not liable nor receives a cash balance of past claims upon departure from the pool.



## Supplemental Information

### Ashtabula County Educational Service Center

*Schedule of Receipts, Disbursements and Changes*

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

*General Fund*

*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental			\$5,714,669	
Interest			7,309	
Tuition and Fees			449,909	
Contributions and Donations			225	
Charges for Services			1,756,706	
Miscellaneous			64,448	
<i>Total Receipts</i>			<u>7,993,266</u>	
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	109,177	107,133	77,843	29,290
Special	2,409,848	2,739,354	2,496,528	242,826
Student Intervention Services	372,140	493,162	474,397	18,765
Support Services:				
Pupil	2,364,613	2,325,994	2,090,000	235,994
Instructional Staff	2,240,786	2,318,025	1,869,182	448,843
Board of Education	62,416	31,849	22,766	9,083
Administration	917,235	909,398	628,983	280,415
Fiscal	307,238	327,844	275,487	52,357
Operation and Maintenance of Plant	223,156	285,167	191,497	93,670
Pupil Transportation	16,945	5,519	5,519	0
Central	0	38,924	37,023	1,901
Capital Outlay	600,000	295,072	295,072	0
<i>Total Disbursements</i>	<u>9,623,554</u>	<u>9,877,441</u>	<u>8,464,297</u>	<u>1,413,144</u>
<i>Excess of Receipts Under Disbursements</i>			<u>(471,031)</u>	
<b>Other Financing Sources (Uses)</b>				
Advances In			20,118	
Advances Out			(66,535)	
<i>Total Other Financing Sources (Uses)</i>			<u>(46,417)</u>	
<i>Net Change in Fund Balance</i>			(517,448)	
<i>Fund Balance Beginning of Year</i>			2,423,912	
Prior Year Encumbrances Appropriated			109,050	
<i>Fund Balance End of Year</i>			<u><u>\$2,015,514</u></u>	

See accompanying notes to the supplemental information

## Supplemental Information

### Ashtabula County Educational Service Center

*Schedule of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
IDEA Part-B Fund*

*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental			\$1,338,253	
<b>Disbursements</b>				
Current:				
Instruction:				
Special	644,119	664,205	596,264	67,941
Student Intervention Services	821	972	788	184
Support Services:				
Pupil	181,783	229,560	173,927	55,633
Instructional Staff	482,921	422,456	372,693	49,763
Administration	336,462	341,549	285,778	55,771
Fiscal	15,880	15,244	15,244	0
<i>Total Disbursements</i>	<u>1,661,986</u>	<u>1,673,986</u>	<u>1,444,694</u>	<u>229,292</u>
<i>Excess of Receipts Under Disbursements</i>			<u>(106,441)</u>	
<b>Other Financing Sources (Uses)</b>				
Advances In			57,582	
Advances Out			<u>(13,410)</u>	
<i>Total Other Financing Sources (Uses)</i>			<u>44,172</u>	
<i>Net Change in Fund Balance</i>			(62,269)	
<i>Fund Balance Beginning of Year</i>			0	
Prior Year Encumbrances Appropriated			<u>19,037</u>	
<i>Fund Balance (Deficit) End of Year</i>			<u><u>(\$43,232)</u></u>	

See accompanying notes to the supplemental information

## Ashtabula County Educational Service Center

*Notes to the Supplemental Information  
For the Fiscal Year Ended June 30, 2012*

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

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

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

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

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

The encumbrances outstanding at year end (budgetary basis) in the general and IDEA Part-B special revenue funds were \$81,210 and \$43,232; respectively.

ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-11	84.027	\$75,202	\$78,068
	6B-SF-12	84.027	1,238,510	1,271,594
Sub-Total - CFDA No. 84.027			1,313,712	1,349,662
ARRA - Special Education Grants to States (IDEA Part B)	2012	84.391	24,541	27,302
Special Education Preschool Grants (IDEA Preschool)	PG-S1-12	84.173	24,723	25,225
ARRA - Special Education Preschool Grants (IDEA Preschool)	2012	84.392	2,856	4,744
Total - Special Education Cluster			1,365,832	1,406,933
Title I Delinquent		84.010	12,222	11,727
OPAPP		84.395A	8,623	11,298
Entry Year Teacher		84.395	17,500	17,500
<b>Total Department of Education</b>			<b><u>\$1,404,178</u></b>	<b><u>\$1,447,458</u></b>

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**NOTE TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

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# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County Educational Service Center, Ashtabula County, (the Center) as of and for the year ended June 30, 2012, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated January 14, 2013, wherein, we noted the Center follows a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the 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 is described in the accompanying schedule of findings as item 2012-001.

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

We intend this report solely for the information and use of management, the Board of Education, 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

January 14, 2013





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Governing Board:

### Compliance

We have audited the compliance of Ashtabula County Educational Service Center (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Service 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.

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

In our opinion, the Ashtabula 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, 2012.

### 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 requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on 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.

*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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

January 14, 2013

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: IDEA Part B (CFDA No. 84.027); IDEA Part B ARRA (CFDA No. 84.391); Early Childhood IDEA (CFDA No. 84.173); Early Childhood ARRA (CFDA No. 84.392)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012

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

**FINDING NUMBER 2012-01**

**Noncompliance**

**Annual Financial Report**

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

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

The Service Center chose to prepare its financial statements and notes on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP. The financial statements and notes omit assets, liabilities, fund equities, and disclosures that are material, however, cannot be determined at this time.

We recommend the Service Center prepare its annual financial report in accordance with GAAP.

**Officials' Response:** The Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the conversion and future reporting needs. Therefore, we chose to report under the new standards of Other Comprehensive Basis of Accounting (OCBOA).

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

**NONE**

**ASHTABULA COUNTY EDUCATION SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Administrative Code § 117-2-03 (B) requires the Service Center to prepare its financial report in accordance with generally accepted accounting principles	No, the Service Center has filed its financial report under the Other Cash Basis of Accounting. Repeated as citation 2011-001.	The Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the conversion and future reporting needs. Therefore, we chose to report under the new standards of Other Comprehensive Basis of Accounting (OCBOA).

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# Dave Yost • Auditor of State

ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER

ASHTABULA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 21, 2013