



Mary Taylor, CPA
Auditor of State

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Auglaize County, (the Center), as of and for the year ended June 30, 2008, 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 the Educational Service Center, Auglaize County, as of June 30, 2008 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 March 6, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Budgetary Comparison Schedule for the General Fund is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures and the Budgetary Comparison Schedule for the General Fund to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 6, 2009

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Auglaize County Educational Service Center's (the Center) financial performance provides an overview of the Center's financial activities for the fiscal year ended June 30, 2008, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the 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 Auglaize County Educational Service Center, the General Fund is the most significant fund.

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 2008, 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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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, non-instructional services, and debt service disbursements.

Reporting The Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Center's major funds. While the 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 only major governmental fund is the General 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 Educational Service Center As A Whole

Table 1 provides a summary of the Center's net assets for fiscal year 2008 and fiscal year 2007:

| Table 1 | | | |
|---------------------------|-------------|-------------|---------------|
| Net Assets | | | |
| | 2008 | 2007 | Change |
| Assets: | | | |
| Cash and Cash Equivalents | \$2,467,342 | \$2,530,106 | (\$62,764) |
| Net Assets: | | | |
| Restricted | 175,210 | 108,742 | 66,468 |
| Unrestricted | 2,292,132 | 2,421,364 | (129,232) |
| Total Net Assets | \$2,467,342 | \$2,530,106 | (\$62,764) |

Total net assets did not change significantly.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Change in Net Assets**

| | <u>2008</u> | <u>2007</u> | <u>Change</u> |
|------------------------------------|--------------------|--------------------|--------------------|
| Receipts: | | | |
| Program Receipts | | | |
| Charges for Services | \$4,781,957 | \$5,305,725 | (\$523,768) |
| Operating Grants and Contributions | 2,905,091 | 484,605 | 2,420,486 |
| Total Program Receipts | <u>7,687,048</u> | <u>5,790,330</u> | <u>1,896,718</u> |
| General Receipts | | | |
| Grants and Entitlements | 477,731 | 1,014,279 | (536,548) |
| Interest | 79,038 | 91,027 | (11,989) |
| Miscellaneous | 125,469 | 76,463 | 49,006 |
| Total General Receipts | <u>682,238</u> | <u>1,181,769</u> | <u>(499,531)</u> |
| Total Receipts | <u>8,369,286</u> | <u>6,972,099</u> | <u>1,397,187</u> |
| Disbursements: | | | |
| Instruction: | | | |
| Regular | 1,380,488 | 1,283,122 | (97,366) |
| Special | 2,777,083 | 2,475,578 | (301,505) |
| Support Services: | | | |
| Pupils | 1,598,616 | 1,420,228 | (178,388) |
| Instructional Staff | 911,698 | 203,031 | (708,667) |
| Board of Education | 11,876 | 13,025 | 1,149 |
| Administration | 1,303,766 | 403,027 | (900,739) |
| Fiscal | 224,900 | 135,327 | (89,573) |
| Operation and Maintenance of Plant | 118,385 | 56,806 | (61,579) |
| Pupil Transportation | 60,326 | 58,501 | (1,825) |
| Central | 32,611 | 11,725 | (20,886) |
| Non-instructional Services | 2,701 | 997 | (1,704) |
| Debt Service: | | | |
| Principal Retirement | 9,600 | 9,600 | |
| Total Disbursements | <u>8,432,050</u> | <u>6,070,967</u> | <u>(2,361,083)</u> |
| Increase (Decrease) in Net Assets | (62,764) | 901,132 | (963,896) |
| Net Assets at Beginning of Year | <u>2,530,106</u> | <u>1,628,974</u> | <u>901,132</u> |
| Net Assets at End of Year | <u>\$2,467,342</u> | <u>\$2,530,106</u> | <u>(\$62,764)</u> |

Program receipts during fiscal year 2008 represented 92 percent of total receipts which is an increase of 9 percent from fiscal year 2007. 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. These program receipts decreased 10 percent from fiscal year 2007.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The Center provides services to two city school districts, four local school districts, and two community schools. In prior fiscal years, the Wapakoneta City School District had a significant overpayment to the Center. During fiscal year 2008, the contract with Wapakoneta City School District decreased by \$480,000 to reduce the excess carryover.

During fiscal year 2008, the Center contracted with the Ohio Department of Education to oversee the national board school teacher testing, entry year testing and assessment, and Educational Regional Service System (ERSS) Region 6. Operating grants and contributions increased from state and federal grants to administer these three programs.

Disbursements in fiscal year 2008 increased by 39 percent primarily in special instruction, instructional staff, administration, fiscal, and operation and maintenance of plant programs. The increase in costs is from the operations of the national board school teacher testing, entry year testing and assessment, and Educational Regional Service System (ERSS) Region 6.

The Center is the primary provider for BCI fingerprinting within Auglaize County. Providing this service increased central support services disbursements.

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

**Table 3
Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|------------------------------------|-------------------------------|---------------------------|-----------------------------|-------------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Instruction: | | | | |
| Regular | \$1,380,488 | \$1,283,122 | \$1,012,974 | \$921,222 |
| Special | 2,777,083 | 2,475,578 | (3,396,551) | (2,063,771) |
| Support Services: | | | | |
| Pupils | 1,598,616 | 1,420,228 | 607,428 | 601,486 |
| Instructional Staff | 911,698 | 203,031 | 911,698 | 203,031 |
| Board of Education | 11,876 | 13,025 | 11,876 | 13,025 |
| Administration | 1,303,766 | 403,027 | 1,303,766 | 394,027 |
| Fiscal | 224,900 | 135,327 | 123,813 | 97,074 |
| Operation and Maintenance of Plant | 118,385 | 56,806 | 118,385 | 56,126 |
| Pupil Transportation | 60,326 | 58,501 | 47,789 | 49,345 |
| Central | 32,611 | 11,725 | (8,477) | (1,525) |
| Non-instructional Services | 2,701 | 997 | 2,701 | 997 |
| Debt Service: | | | | |
| Principal Retirement | 9,600 | 9,600 | 9,600 | 9,600 |
| Total Disbursements | <u>\$8,432,050</u> | <u>\$6,070,967</u> | <u>\$745,002</u> | <u>\$280,637</u> |

Program receipts provided for 91 percent of the Center's costs for services which is a reduction of 4 percent from fiscal year 2007

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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 Educational Regional Service System (ERSS) Region 6 are related to special instruction. Therefore, the special instruction program appears to be over funded while the instructional staff and administration support services program seems to be under funded.

The Educational Service Center's Funds

The Center's governmental funds are accounted for using the cash basis of accounting. Although the fund balance in the General Fund decreased, the decrease was not significant.

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 2008, the Center amended its General Fund budget as needed. The Center appropriates at the object level for the General Fund. Changes from both the original budget to the final budget and from the final budget to actual receipts were not significant. The same can be said for disbursements.

Current Issues

The Center became the fiscal agent for the Educational Regional Service System, Region 6 that serves seven counties for IDEA-B, regional technical assistance, reading improvement and literacy activities, the entry year teacher program to test and assess first year teachers, and the testing for the national board that allows a teacher to teach anywhere in the United States without additional state certification. For fiscal year 2009, the Center lost the Auglaize County Mental Retardation and Developmental Disabilities contract to provide occupational and physical therapy. The number of counties serviced to provide the national board testing has doubled during fiscal year 2009.

Request For Information

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

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EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$2,467,342</u> |
| Net Assets | |
| Restricted for: | |
| Other Purposes | 175,210 |
| Unrestricted | <u>2,292,132</u> |
| Total Net Assets | <u>\$2,467,342</u> |

See accompanying notes to basic financial statements.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

| | <u>General</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|--------------------|-------------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$2,292,132</u> | <u>\$175,210</u> | <u>\$2,467,342</u> |
| Fund Balances | | | |
| Reserved for Encumbrances | 16,702 | 135,739 | 152,441 |
| Unreserved, Reported in | | | |
| General Fund | 2,275,430 | | 2,275,430 |
| Special Revenue Funds | | <u>39,471</u> | <u>39,471</u> |
| Total Fund Balances | <u>\$2,292,132</u> | <u>\$175,210</u> | <u>\$2,467,342</u> |

See accompanying notes to the basic financial statements.

**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, 3008**

| | <u>General</u> | <u>Other Governmental</u> | <u>Total</u> |
|------------------------------------|--------------------|-------------------------------|--------------------|
| Receipts | | | |
| Intergovernmental | \$1,212,914 | \$2,169,808 | \$3,382,722 |
| Interest | 79,038 | | 79,038 |
| Tuition and Fees | 423,644 | | 423,644 |
| Extracurricular Activities | | 8,648 | 8,648 |
| Customer Services | 4,349,665 | | 4,349,665 |
| Gifts and Donations | | 100 | 100 |
| Miscellaneous | 125,469 | | 125,469 |
| Total Receipts | <u>6,190,730</u> | <u>2,178,556</u> | <u>8,369,286</u> |
| Disbursements | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 1,165,141 | 215,347 | 1,380,488 |
| Special | 2,727,652 | 49,431 | 2,777,083 |
| Support Services: | | | |
| Pupils | 1,482,960 | 115,656 | 1,598,616 |
| Instructional Staff | 189,748 | 721,950 | 911,698 |
| Board of Education | 11,876 | | 11,876 |
| Administration | 404,833 | 898,933 | 1,303,766 |
| Fiscal | 155,626 | 69,274 | 224,900 |
| Operation and Maintenance of Plant | 93,124 | 25,261 | 118,385 |
| Pupil Transportation | 49,791 | 10,535 | 60,326 |
| Central | 29,611 | 3,000 | 32,611 |
| Non-instructional Services | | 2,701 | 2,701 |
| Debt Service: | | | |
| Principal Retirement | 9,600 | | 9,600 |
| Total Disbursements | <u>6,319,962</u> | <u>2,112,088</u> | <u>8,432,050</u> |
| Changes in Fund Balances | (129,232) | 66,468 | (62,764) |
| Fund Balances at Beginning of Year | <u>2,421,364</u> | <u>108,742</u> | <u>2,530,106</u> |
| Fund Balances at End of Year | <u>\$2,292,132</u> | <u>\$175,210</u> | <u>\$2,467,342</u> |

See accompanying notes to the basic financial statements.

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008

| | <u>Agency</u> |
|--|-----------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$93,962</u> |
| Liabilities | |
| Due to Students | <u>\$93,962</u> |

See accompanying notes to the basic financial statements.

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**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE 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 and Auglaize County Special Needs School (community schools). 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 twelve administrators, ninety-three classified employees, and fifty-four 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 three jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Auglaize County Special Needs School, Schools of Ohio Risk Sharing Authority, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 11 and 12 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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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 only major fund is the General 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.

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

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 2008. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for the activity of the West Central Special Education Regional Resource Center (SERRC).

C. Basis of Accounting

The Center's financial statements are prepared using the cash basis of accounting. 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 2008, 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 2008 was \$79,038 which included \$4,639 assigned from other Center funds.

E. Property and Equipment

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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Employer 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 7 and 8, 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. At June 30, 2008, there were no net assets restricted by enabling legislation.

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 2008, this consisted of the Preschool Handicapped special revenue fund.

3. COMPLIANCE

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

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. 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;
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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Cash on Hand - As of June 30, 2008, the Center had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits - At June 30, 2008, the carrying value of deposits was \$2,561,104. Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,363,993 of the Center's bank balance of \$2,811,647 was covered by FDIC and \$447,654 was uninsured and uncollateralized.

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

5. 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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. 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 2008, the Center contracted for the following insurance coverage.

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

| | |
|----------------------|-------------|
| Property | \$2,990,066 |
| 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 2008, 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, dental, and vision 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 Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District 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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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 School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$409,085, \$370,285, and \$305,448 respectively; 86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$8,961 made by the School District and \$18,019 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District 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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$138,301, \$132,620 and \$119,338 respectively; 85 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

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, 2008, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District 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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$32,157, \$28,958, and \$23,988 respectively; 86 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The School District 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 2008, 4.18 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 2008, this amount was \$24,902.

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 contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$63,111, \$44,030, and \$41,647 respectively; 85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$9,965, \$9,018, and \$9,498 respectively; 85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. OTHER EMPLOYEE BENEFITS (Continued)

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

B. Health Care Benefits

The Center offers medical, dental, vision, and prescription drug insurance to most employees through the Mercer Auglaize School Employee Benefit Trust. In addition, the Center offers life insurance through CoreSource Insurance Agency.

10. LONG-TERM OBLIGATIONS

Changes in the Center's long-term obligations during fiscal year 2008 were as follows:

| | Balance at 6/30/07 | Additions | Reductions | Balance at 6/30/08 |
|---------------|-------------------------------|------------------|-------------------|-------------------------------|
| Loans Payable | \$24,000 | \$0 | \$9,600 | \$14,400 |

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 requires a repayment of \$9,600 per year for ten years. The loan will be fully repaid on November 1, 2009. The loan is interest free and is being repaid from the General Fund.

11. 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 2008, the Center paid \$6,567 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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Auglaize County Special Needs School

The Center is a participant in the Auglaize County Special Needs School (ACSNS), which is a community school. The ACSNS is an association of the school districts within Auglaize County to provide a special education program for kindergarten through twelfth grade students with multiple handicapped, emotionally disturbed, or autistic needs. The governing board of the ACSNS 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.

12. 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 Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan

The Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by the five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. 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, 2008.

B. Litigation

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

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**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Over (Under) |
|--------------------------------------|---------------------------|---------------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Under)</u> |
| Receipts | | | | |
| Intergovernmental | \$1,157,256 | \$1,206,501 | \$1,212,914 | \$6,413 |
| Interest | 78,012 | 90,513 | 79,038 | (11,475) |
| Tuition and Fees | 2,119,113 | 424,572 | 423,644 | (928) |
| Customer Services | 3,032,493 | 4,436,065 | 4,349,665 | (86,400) |
| Miscellaneous | 102,126 | 57,959 | 125,469 | 67,510 |
| Total Receipts | <u>6,489,000</u> | <u>6,215,610</u> | <u>6,190,730</u> | <u>(24,880)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 1,088,762 | 1,139,164 | 1,169,738 | (30,574) |
| Special | 2,503,656 | 2,769,656 | 2,732,958 | 36,698 |
| Support Services: | | | | |
| Pupils | 1,454,424 | 1,454,424 | 1,483,867 | (29,443) |
| Instructional Staff | 190,570 | 192,070 | 190,548 | 1,522 |
| Board of Education | 15,000 | 15,000 | 11,876 | 3,124 |
| Administration | 368,093 | 393,093 | 405,011 | (11,918) |
| Fiscal | 143,906 | 158,906 | 158,514 | 392 |
| Operation and Maintenance of Plant | 60,861 | 95,861 | 93,150 | 2,711 |
| Pupil Transportation | 59,600 | 50,000 | 51,791 | (1,791) |
| Central | 10,000 | 32,500 | 29,611 | 2,889 |
| Debt Service: | | | | |
| Principal Retirement | | 9,600 | 9,600 | |
| Total Disbursements | <u>5,894,872</u> | <u>6,310,274</u> | <u>6,336,664</u> | <u>(26,390)</u> |
| Changes in Fund Balance | 594,128 | (94,664) | (145,934) | (51,270) |
| Fund Balance at Beginning of Year | 2,403,992 | 2,403,992 | 2,403,992 | |
| Prior Year Encumbrances Appropriated | <u>17,372</u> | <u>17,372</u> | <u>17,372</u> | |
| Fund Balance at End of Year | <u><u>\$3,015,492</u></u> | <u><u>\$2,326,700</u></u> | <u><u>\$2,275,430</u></u> | <u><u>(\$51,270)</u></u> |

See accompanying notes to the supplementary schedule.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Disbursements |
|---|------------------------------------|--------------------|-----------------------------|
| U.S. Department of Health and Human Services | | | |
| (Passed through the Ohio Department of Mental Retardation and Developmental Disabilities) | | | |
| Medical Assistance Program (CAFS) | 93.778 | <u>\$197,835</u> | <u> </u> |
| Total U.S. Department of Health and Human Services | | 197,835 | |
| U.S. Department of Education | | | |
| (Passed through Ohio Department of Education) | | | |
| Twenty First Century Community Learning Centers | 84.287 | 163,472 | \$264,263 |
| English Language Acquisition Grants | 84.365 | 40,492 | 40,492 |
| <i>Special Education Cluster:</i> | | | |
| Special Education Preschool Grants | 84.173 | 75,050 | 71,819 |
| Special Education Grants to States | 84.027 | 830,796 | 732,557 |
| (Passed through West Central Ohio Special Education Regional Resource Center (SERRC)) | | | |
| Special Education Grants to States | 84.027 | <u>163,499</u> | <u>197,077</u> |
| Subtotal Special Education Grants to States | | 994,295 | 929,634 |
| Total Special Education Cluster | | <u>1,069,345</u> | <u>1,001,453</u> |
| (Passed through Ohio Department of Education) | | | |
| Special Education State Personnel Development | 84.323 | 21,207 | 10,781 |
| (Passed through West Central Ohio Special Education Regional Resource Center (SERRC)) | | | |
| Special Education State Personnel Development | 84.323 | <u>143,838</u> | <u>127,727</u> |
| Total Special Education State Personnel Development | | <u>165,045</u> | <u>138,508</u> |
| Total U.S. Department of Education | | <u>1,438,354</u> | <u>1,444,716</u> |
| Total Federal Financial Assistance | | <u>\$1,636,189</u> | <u>\$1,444,716</u> |

See accompanying notes to the Schedule of Federal Awards Expenditures.

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Educational Service Center's and the West Central Ohio Regional Resource Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FEDERAL AWARDS EXPENDITURES ADMINISTERED FOR OTHER GOVERNMENTS

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

| <u>District</u> | <u>Fiscal Year 2008 Award Amount IDEA Preschool</u> |
|--|---|
| Minster Local School District | \$7,876 |
| New Bremen Local School District | 9,068 |
| New Knoxville Local School District | 4,644 |
| St Marys City School District | 30,699 |
| Wapakoneta City School District | 23,459 |
| Waynesfield-Goshen Local School District | 7,096 |
| Total Grant | <u>\$82,842</u> |

NOTE C – COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS)

The Center received \$197,835 of CAFS funds during 2008. The funds relate to reimbursement for CAFS services provided during prior periods.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Auglaize County, (the Center) as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 6, 2009, wherein we noted that the Center uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 2008-001.

We also noted certain noncompliance or other matters that we reported to the Center's management in a separate letter dated March 6, 2009.

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 the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 6, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the 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 apply to each of its major federal program for the year ended June 30, 2008. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of 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.

In our opinion, the Educational Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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 expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that the Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 6, 2009

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

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 other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Special Education Cluster: Special Education Grants to States - CFDA #84.027 Special Education Preschool Grant - 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 2008-001

Noncompliance - Reporting

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

The Center should prepare their financial statements in accordance with generally accepted accounting principles (GAAP).

Client Response:

Our Board of Education (Directors) has determined that the additional cost required to prepare and audit GAAP statements cannot be justified.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007-001 | Ohio Rev. Code Section 117.38 and Ohio Adm. Code Section 117-2-03 (B) require its annual financial report in accordance with generally accepted accounting principles (GAAP) | No | Repeated as finding 2008-001 |



Mary Taylor, CPA
Auditor of State

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, 2009**