



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  
1565 State Route 167  
Jefferson, Ohio 44047

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 Service Center), as of and for the year ended June 30, 2011, which collectively comprise the Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Service 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 Service 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.

As further described in Note 4 to the basic financial statements, the Service Center restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

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, 2011, and the respective changes in cash financial position, thereof, and the respective budgetary comparison for the General Fund and IDEA, Part-B Fund, 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 October 31, 2011, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Service Center's basic financial statements taken as a whole. The federal awards expenditure 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*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

October 31, 2011

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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This discussion and analysis of the Ashtabula County Educational Service Center's financial performance provides an overall review of the Service Center's financial activities for the fiscal year ended June 30, 2011, 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 2011 are as follows:

- New services/programs were started in 2010 as client-district needs arose. 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 success during 2011 and will continue into future years as the Governing Board serves its local and city school districts.
- Net assets of governmental activities slightly increased from fiscal year 2010 to fiscal year 2011. This increase is a result of Service Center closely monitoring receipts to keep spending under control.
- 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 resulted in an increase to the general fund's fund balance.
- The IDEIA Part-B special revenue fund had revenues that exceeded expenditures. The net effect was offset by the repayment of advances from the general fund in the prior year, resulting in a decrease to the IDEIA 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, 2011*  
*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 2011 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, 2011*  
*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 IDEIA 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 2011 compared to 2010 on a cash basis:

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Assets</b>			
Cash and Cash Equivalents	<u>\$2,611,985</u>	<u>\$2,611,759</u>	<u>\$226</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$79,023	\$80,250	(\$1,227)
Unrestricted	<u>2,532,962</u>	<u>2,531,509</u>	<u>1,453</u>
Total Net Assets	<u>\$2,611,985</u>	<u>\$2,611,759</u>	<u>\$226</u>

As mentioned previously, net assets of governmental activities increased during 2011. This increase is a result of administration closely monitoring spending to keep it in line with current resources.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Year Ended June 30, 2011  
Unaudited

Table 2 reflects the changes in net assets in 2011 compared to 2010.

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

	2011	2010	Change
<b>Receipts:</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$2,280,937	\$1,798,554	\$482,383
Operating Grants and Contributions	2,002,214	2,512,707	(510,493)
<b>Total Program Receipts</b>	<b>4,283,151</b>	<b>4,311,261</b>	<b>(28,110)</b>
<i>General Receipts:</i>			
Grants and Entitlements Not Restricted to Specific Programs	5,408,070	4,809,667	598,403
Unrestricted Contributions and Donations	800	1,216	(416)
Interest	16,063	26,751	(10,688)
Miscellaneous	62,226	70,463	(8,237)
<b>Total General Receipts</b>	<b>5,487,159</b>	<b>4,908,097</b>	<b>579,062</b>
<b>Total Receipts</b>	<b>9,770,310</b>	<b>9,219,358</b>	<b>550,952</b>
<b>Disbursements:</b>			
<i>Instruction:</i>			
Regular	65,181	196,459	(131,278)
Special	2,864,847	2,822,512	42,335
Adult/Continuing	136,623	146,910	(10,287)
Student Intervention Services	494,004	374,176	119,828
<i>Support Services:</i>			
Pupil	2,390,942	1,857,682	533,260
Instructional Staff	2,368,867	2,463,406	(94,539)
Board of Education	33,120	38,374	(5,254)
Administration	863,864	830,607	33,257
Fiscal	361,549	307,465	54,084
Operation and Maintenance of Plant	143,307	83,356	59,951
Pupil Transportation	18,986	273,452	(254,466)
Central	28,794	20,236	8,558
<b>Total Disbursements</b>	<b>9,770,084</b>	<b>9,414,635</b>	<b>355,449</b>
Change in Net Assets	226	(195,277)	195,503
Net Assets Beginning of Year	2,611,759	2,807,036	(195,277)
<b>Net Assets End of Year</b>	<b>\$2,611,985</b>	<b>\$2,611,759</b>	<b>\$226</b>

Program revenues represent 43.8 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, 2011  
Unaudited

**Governmental Activities**

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Service Center. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for special instruction and 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 2011	Net Cost of Services 2011	Total Cost Of Services 2010	Net Cost of Services 2010
Instruction:				
Regular	\$65,181	(\$25,337)	\$196,459	(\$141,758)
Special	2,864,847	(1,102,785)	2,822,512	(1,257,571)
Adult/Continuing	136,623	3,270	146,910	(4,109)
Student Intervention Services	494,004	(79,718)	374,176	(210,860)
Support Services:				
Pupil	2,390,942	(1,748,159)	1,857,682	(1,470,286)
Instructional Staff	2,368,867	(1,539,187)	2,463,406	(1,130,189)
Board of Education	33,120	(32,347)	38,374	(29,936)
Administration	863,864	(564,966)	830,607	(537,814)
Fiscal	361,549	(263,190)	307,465	(225,182)
Operation and Maintenance of Plant	143,307	(103,491)	83,356	(77,356)
Pupil Transportation	18,986	(2,229)	273,452	1,923
Central	28,794	(28,794)	20,236	(20,236)
Total Expenses	<u>\$9,770,084</u>	<u>(\$5,486,933)</u>	<u>\$9,414,635</u>	<u>(\$5,103,374)</u>

**The Government's Funds**

Information regarding the Service Center's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total revenues of \$9,770,310 and total expenditures of \$9,770,084. The net change in governmental fund balance for the year was most significant in the IDEA Part-B special revenue fund which had a decrease due to decreases in State grants outpacing decreases in special education and pupil support services.

**General Fund Budgeting Highlights**

The Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Year Ended June 30, 2011*  
*Unaudited*

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During the course of fiscal year 2011, the Service Center amended its general fund budget as needed to reflect changing circumstances. These amendments are due to changes in program attendance and/or client-district needs. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year, several federal and state grants will surface or material changes in existing ones will require budgetary action.

For the general fund, the final budget basis revenue estimate was above the original revenue estimate. The main difference between the original and final estimates was due to increased intergovernmental revenues used to fund the various new services provided to participating school districts.

The final budget basis expenditures estimate was above the original budget estimate. The increase in the budget estimate was a result of an increase in services being provided to participating school districts.

### **Capital Assets**

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

### **Current Issues**

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

The Service Center is centrally located at the Ashtabula County Joint Vocational School in Jefferson, Ohio. Rent for the office space is currently paid for by the Ashtabula County Commissioners. The central location enables easy access for countywide in-service programs, professional development and training activities.

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, 1565 State Route 167, P.O. Box 186, Jefferson, Ohio 44047-0186.

**Ashtabula County Educational Service Center**

*Statement of Net Assets - Cash Basis*

*June 30, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,611,985</u>
 <b>Net Assets</b>	
Restricted for:	
Other Purposes	\$79,023
Unrestricted	<u>2,532,962</u>
 <i>Total Net Assets</i>	<u><u>\$2,611,985</u></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, 2011*

	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	\$65,181	\$26,082	\$13,762	(\$25,337)
Special	2,864,847	994,223	767,839	(1,102,785)
Adult/Continuing	136,623	35,027	104,866	3,270
Student Intervention Services	494,004	414,286	0	(79,718)
Support Services:				
Pupil	2,390,942	335,027	307,756	(1,748,159)
Instructional Staff	2,368,867	345,687	483,993	(1,539,187)
Board of Education	33,120	773	0	(32,347)
Administration	863,864	13,523	285,375	(564,966)
Fiscal	361,549	72,601	25,758	(263,190)
Operation and Maintenance of Plant	143,307	30,741	9,075	(103,491)
Pupil Transportation	18,986	12,967	3,790	(2,229)
Central	28,794	0	0	(28,794)
<b>Total</b>	<b>\$9,770,084</b>	<b>\$2,280,937</b>	<b>\$2,002,214</b>	<b>(5,486,933)</b>
<b>General Receipts</b>				
Grants and Entitlements not Restricted to Specific Programs				5,408,070
Unrestricted Contributions and Donations				800
Interest				16,063
Miscellaneous				62,226
<i>Total General Receipts</i>				<u>5,487,159</u>
Change in Net Assets				226
<i>Net Assets Beginning of Year</i>				<u>2,611,759</u>
<i>Net Assets End of Year</i>				<u><u>\$2,611,985</u></u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**

*Statement of Assets and Fund Balances - Cash Basis*

*Governmental Funds*

*June 30, 2011*

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	<u>General</u>	<u>IDEIA Part-B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,532,962</u>	<u>\$19,037</u>	<u>\$59,986</u>	<u>\$2,611,985</u>
<b>Fund Balances</b>				
Restricted	\$0	\$19,037	\$59,986	\$79,023
Committed	72,625	0	0	72,625
Assigned	36,425	0	0	36,425
Unassigned	<u>2,423,912</u>	<u>0</u>	<u>0</u>	<u>2,423,912</u>
<i>Total Fund Balances</i>	<u>\$2,532,962</u>	<u>\$19,037</u>	<u>\$59,986</u>	<u>\$2,611,985</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	IDEIA Part-B	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Intergovernmental	\$5,419,557	\$1,760,190	\$230,537	\$7,410,284
Interest	16,063	0	0	16,063
Tuition and Fees	672,160	0	68,766	740,926
Contributions and Donations	800	0	0	800
Charges for Services	1,540,011	0	0	1,540,011
Miscellaneous	62,226	0	0	62,226
<i>Total Receipts</i>	<u>7,710,817</u>	<u>1,760,190</u>	<u>299,303</u>	<u>9,770,310</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	65,181	0	0	65,181
Special	2,098,853	696,403	69,591	2,864,847
Adult/Continuing	0	0	136,623	136,623
Student Intervention Services	494,004	0	0	494,004
Support Services:				
Pupil	2,083,535	303,451	3,956	2,390,942
Instructional Staff	1,858,550	449,175	61,142	2,368,867
Board of Education	33,120	0	0	33,120
Administration	574,308	285,178	4,378	863,864
Fiscal	331,465	23,512	6,572	361,549
Operation and Maintenance of Plant	134,337	0	8,970	143,307
Pupil Transportation	15,283	1,253	2,450	18,986
Central	26,519	0	2,275	28,794
<i>Total Disbursements</i>	<u>7,715,155</u>	<u>1,758,972</u>	<u>295,957</u>	<u>9,770,084</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,338)</u>	<u>1,218</u>	<u>3,346</u>	<u>226</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	25,908	13,410	6,708	46,026
Advances Out	(20,117)	(23,018)	(2,891)	(46,026)
<i>Total Other Financing Sources (Uses)</i>	<u>5,791</u>	<u>(9,608)</u>	<u>3,817</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,453	(8,390)	7,163	226
<i>Fund Balances Beginning of Year</i>	<u>2,531,509</u>	<u>27,427</u>	<u>52,823</u>	<u>2,611,759</u>
<i>Fund Balances End of Year</i>	<u>\$2,532,962</u>	<u>\$19,037</u>	<u>\$59,986</u>	<u>\$2,611,985</u>

See accompanying notes to the basic financial statements



**Ashtabula County Educational Service Center**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$5,156,836	\$5,419,557	\$5,419,557	\$0
Interest	30,000	16,063	16,063	0
Tuition and Fees	635,563	672,160	672,160	0
Contributions and Donations	1,200	800	800	0
Charges for Services	1,016,470	1,540,011	1,540,011	0
Miscellaneous	57,500	62,226	62,226	0
<i>Total Receipts</i>	<u>6,897,569</u>	<u>7,710,817</u>	<u>7,710,817</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	184,950	145,757	67,276	78,481
Special	2,698,072	2,592,818	2,110,522	482,296
Student Intervention Services	456,517	507,484	494,004	13,480
Support Services:				
Pupil	1,706,198	2,377,017	2,098,936	278,081
Instructional Staff	2,730,020	2,460,827	1,897,371	563,456
Board of Education	70,131	73,631	33,878	39,753
Administration	1,042,963	897,672	603,007	294,665
Fiscal	353,188	374,836	332,544	42,292
Operation and Maintenance of Plant	160,349	230,406	144,865	85,541
Pupil Transportation	0	16,945	15,283	1,662
Central	50,000	50,000	26,519	23,481
<i>Total Disbursements</i>	<u>9,452,388</u>	<u>9,727,393</u>	<u>7,824,205</u>	<u>1,903,188</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(2,554,819)</u>	<u>(2,016,576)</u>	<u>(113,388)</u>	<u>1,903,188</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	26,188	0	25,908	25,908
Advances Out	0	0	(20,117)	(20,117)
<i>Total Other Financing Sources (Uses)</i>	<u>26,188</u>	<u>0</u>	<u>5,791</u>	<u>5,791</u>
<i>Net Change in Fund Balance</i>	<u>(2,528,631)</u>	<u>(2,016,576)</u>	<u>(107,597)</u>	<u>1,908,979</u>
<i>Fund Balance Beginning of Year</i>	2,469,413	2,469,413	2,469,413	0
Prior Year Encumbrances Appropriated	62,096	62,096	62,096	0
<i>Fund Balance End of Year</i>	<u>\$2,878</u>	<u>\$514,933</u>	<u>\$2,423,912</u>	<u>\$1,908,979</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*IDEIA Part-B Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Intergovernmental	\$2,085,185	\$1,760,190	\$1,760,190	\$0
<b>Disbursements</b>				
Current:				
Instruction:				
Special	1,974,206	707,090	707,089	1
Support Services:				
Pupil	32,529	303,451	303,451	0
Instructional Staff	69,208	456,876	456,876	0
Administration	34,448	285,828	285,828	0
Fiscal	0	23,512	23,512	0
Pupil Transportation	2,221	1,253	1,253	0
<i>Total Disbursements</i>	<u>2,112,612</u>	<u>1,778,010</u>	<u>1,778,009</u>	<u>1</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(27,427)</u>	<u>(17,820)</u>	<u>(17,819)</u>	<u>1</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	13,410	13,410	0
Advances Out	0	0	(23,018)	(23,018)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>13,410</u>	<u>(9,608)</u>	<u>(23,018)</u>
<i>Net Change in Fund Balance</i>	<u>(27,427)</u>	<u>(4,410)</u>	<u>(27,427)</u>	<u>(23,017)</u>
<i>Fund Balance Beginning of Year</i>	195	195	195	0
Prior Year Encumbrances Appropriated	<u>27,232</u>	<u>27,232</u>	<u>27,232</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$23,017</u></u>	<u><u>\$0</u></u>	<u><u>(\$23,017)</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, 2011*

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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

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

In 1963, the Ashtabula County Educational Service Center (the Service Center) was formed. The Service Center supplies special education, supervisory, administrative, fiscal and other needed services to area school districts in Ashtabula County. The Service Center operates under a locally-elected five-member Governing Board form of government and provides educational services as mandated by State or federal agencies to four local and two city school districts. The Board controls the Service Center's staff who provide services to over 14,750 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 Joint Vocational School District, 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 14 and 15 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, 2011*

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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 IDEIA Part-B special revenue fund.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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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.

**IDEIA Part-B Fund** The IDEIA Part-B fund accounts for 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.

### ***Budgetary Process***

The Service Center adopts a budget for all funds, other than agency funds. The Service Center's Board adopts an annual appropriation resolution which is the Board's authorization to spend resources and sets annual limits on expenditures 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 Treasurer reviews the prior year's revenues and factors in the wages expected to be charged for the services offered and the grants anticipated to be received in order to determine the estimated resources for the current year. The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts of the estimated resources approved by the Board when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts of the estimated resources that was in effect at the time the final appropriations were passed by the Board.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. 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.

### ***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 2011, the Service Center invested in a nonnegotiable certificate of deposit and STAROhio. Nonparticipating investment contracts such as nonnegotiable certificates of deposits are reported at cost.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

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 2011 was \$16,063, which included \$486 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.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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### ***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 10 and 11, 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 either through the enabling legislation adopted by the Service Center or 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.

### ***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.



## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

### **Note 4 – Change in Accounting Principles**

For fiscal year 2011, the Service Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds of the Service Center’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the Service Center’s financial statements.

### **Note 5 – 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:

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

Fund Balances	General	IDEA Part-B	Other Governmental Funds	Total
<b><i>Restricted for</i></b>				
Instructional Staff	\$0	\$0	\$26,989	\$26,989
Latchkey	0	0	26,430	26,430
Bus Driver Training	0	0	1,325	1,325
Special Education	0	19,037	0	19,037
Preschool Education	0	0	5,242	5,242
<b><i>Total Restricted</i></b>	<b>0</b>	<b>19,037</b>	<b>59,986</b>	<b>79,023</b>
<b><i>Committed to</i></b>				
Other Purposes	72,625	0	0	72,625
<b><i>Assigned to</i></b>				
Other Purposes	36,425	0	0	36,425
<b><i>Unassigned</i></b>	<b>2,423,912</b>	<b>0</b>	<b>0</b>	<b>2,423,912</b>
<b><i>Total Fund Balances</i></b>	<b>\$2,532,962</b>	<b>\$19,037</b>	<b>\$59,986</b>	<b>\$2,611,985</b>

**Note 6 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and the IDEA Part-B special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) in the general and IDEA Part-B special revenue fund were \$109,050 and \$19,037, respectively.

**Note 7 – 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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National 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 (STAROhio); 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, \$1,042,669 of the Service Center's bank balance of \$2,042,669 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

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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either with the Service Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### **Investments**

As of June 30, 2010, the Service Center had STAROhio as the only investment with an amount of \$694,701 and a maturity of 58.30 days. The investment is in an internal investment pool.

**Credit Risk** Ohio law requires that STAROhio 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 8 – 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 9 - 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 2011, 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

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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limits of coverage, and deductibles that it selects. The Service Center contracted with OSP for general liability with a \$1,000,000 per occurrence and \$3,000,000 aggregate and for errors and omissions with a \$1,000,000 per occurrence and \$3,000,000 aggregate.

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

### ***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 15) 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 10 - Defined Benefit Pension Plans**

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

**Plan Description** - The Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Service Center is required to contribute at an actuarially determined rate. The current Service Center rate is 14 percent of annual covered payroll. A portion of the Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011,

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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11.81 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 Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$183,204, \$155,123, and \$110,579 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

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

**Plan Description** - The Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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 times 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 DC Plan and the DB 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 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** - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement 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 Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$566,337, \$547,947, and \$457,368 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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Combined Plans for fiscal year 2011 were \$17,457 made by the School District and \$12,469 made by the plan members.

### **Note11 - Postemployment Benefits**

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

Plan Description – The Service Center participates in two cost-sharing multiple employer defined 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 obligations to contribute are established by the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$31,025.

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

The Service Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$38,161, \$29,859, and \$50,606 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$11,790, \$9,225, and \$9,124 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

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

Plan Description – The Service Center 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.

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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 Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Service Center’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$43,564, \$42,150, and \$35,182 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

**Note 12 – 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 13 - Interfund Balances**

Interfund Payable	Interfund Receivable
	General
IDEIA Part-B	\$13,410
Bus Driver Training	10,753
Local Grants	5,000
Preschool Grants	3,355
<i>Total All Funds</i>	\$32,518

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received.

**Note 14 - 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



## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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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 2011.

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 Joint Vocational School District***

The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS 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 15 – 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.

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***Risk Sharing Pool***

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Special Education Cluster:</i>				
Special Education Grants to States (IDEA, Part B)	2010	84.027	\$77,474	\$78,401
	2011		<u>1,118,601</u>	<u>1,115,734</u>
Sub-Total - CFDA No. 84.027			1,196,075	1,194,135
ARRA - Special Education Grants to States (IDEA, Part B)	2011	84.391	564,117	587,856
Special Education Preschool Grants (IDEA Preschool)	2011	84.173	25,843	25,843
ARRA - Special Education Preschool Grants (IDEA Preschool)	2011	84.392	<u>38,846</u>	<u>37,439</u>
Total - Special Education Cluster			<u><b>1,824,881</b></u>	<u><b>1,845,273</b></u>
<b>Total US Department of Education</b>			<u><b>\$1,824,881</b></u>	<u><b>\$1,845,273</b></u>

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**NOTE TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



# Dave Yost • Auditor of State

## INDEPENDENT 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  
1565 State Route 167  
Jefferson, Ohio 44047

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 Service Center) as of and for the year ended June 30, 2011, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated October 31, 2011 wherein we noted the Service Center uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted governmental fund balances were restated due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54. 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 Service Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Service 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 Service Center'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 Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

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

We intend this report solely for the information and use of management, the Governing Board and federal awarding agencies and pass-through entities and others within the Service 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 "Y" and "O".

**Dave Yost**  
Auditor of State

October 31, 2011



# Dave Yost • Auditor of State

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

Ashtabula County Educational Service Center  
Ashtabula County  
1565 State Route 167  
Jefferson, Ohio 44041

To the Governing Board:

### Compliance

We have audited the compliance of Ashtabula County Educational Service Center (the Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Ashtabula County Educational Service Center's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Service Center's major federal programs. The Service 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 Service Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Service 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 Service Center's compliance with those 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 each of its major federal programs for the year ended June 30, 2011.


### Internal Control Over Compliance

The Service 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 Service Center's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Service Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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 Governing Board, federal awarding agencies, and pass-through entities and others within the Service Center. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

October 31, 2011



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

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

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

**FINDING NUMBER 2011-01**

**Noncompliance**

**Annual Financial Report**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on 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 generally accepted accounting principles (GAAP).

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).

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**NONE**

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2010-01	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 2011-01.	The Governing 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  
FEBRUARY 9, 2012