

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO**  
**FRANKLIN COUNTY**  
**SINGLE AUDIT**  
**JULY 1, 2013 – JUNE 30, 2014**







# Dave Yost • Auditor of State

Board of Directors  
Educational Service Center of Central Ohio  
2080 Citygate Drive  
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of Central Ohio, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding For Recovery – Repaid Under Audit**

On August 15, 2013, Art Cernosia, Attorney at Law, was contracted by the Educational Service Center of Central Ohio (ESC) for Special Education Law Training for Ohio Special Education Hearing Officers. His invoice submitted to the ESC included reimbursement for travel expenses, including meals and lodging. The meal receipts included alcoholic beverages. The ESC properly removed some of the alcoholic beverages from the invoice before payment, however, not all of the alcoholic beverages were removed and not all of the tip and taxes related to these beverages were removed. As a result, Mr. Cernosia was paid \$9 by the ESC for alcoholic beverages and related taxes and tip.

On December 17, 2014, \$9 had been repaid by Mr. Cernosia.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Educational Service Center of Central Ohio is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 6, 2015

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**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Educational Service Center of Central Ohio  
Franklin County  
2080 Citygate Drive  
Columbus, Ohio 43219

To the Board of Directors:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

*Wilson, Shannon & Snow, Inc*

**CERTIFIED PUBLIC ACCOUNTANT**  
Ten West Locust Street  
Newark, Ohio 43015  
(740) 345-6666  
1-800-523-6666

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the Center's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 30, 2014

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

The management's discussion and analysis of the Educational Service Center of Central Ohio's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities increased \$4,867,306 compared to 2013.
- General revenues accounted for \$4,403,286 in revenue or 4.76% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$88,078,981 or 95.24% of total revenues of \$92,482,267.
- The Center had \$87,614,961 in expenses related to governmental activities; these expenses were supported by program specific charges for services and sales, grants or contributions in the amount of \$88,078,981. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) provided an additional \$4,403,286 in revenue.
- The Center's major governmental fund is the general fund. The general fund had \$87,056,801 in revenues and other financing sources and \$79,602,543 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$7,454,258 from \$6,364,647 to \$13,818,905.

**Using these Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column. The Center reports the general fund as a major fund.

**Reporting the Center as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

These two statements report the Center's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts, State budget cuts, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, and other operations.

The government-wide financial statements include not only the activity of the Center itself (known as the primary government), but also a separate entity which has been reported as a discretely presented component unit.

The Center's statement of net position and statement of activities can be found on pages 13-14 of this report.

**Reporting the Center's Most Significant Funds**

***Fund Financial Statements***

The analysis of the Center's major governmental funds begins on page 9. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds.

***Governmental Funds***

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

***Proprietary Fund***

The Center maintains only one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the Center's various functions. The Center has internal service funds that account for self-insurance programs which provide health, dental and workers' compensation benefits to the Center's employees. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

***Reporting the Center's Fiduciary Responsibilities***

The Center maintains agency funds to account for monies due to other governments, individuals or private organizations. All of the Center's fiduciary activities are reported in a separate statement of assets and liabilities on page 22. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-55 of this report.

**The Center as a Whole**

The statement of net position provides the perspective of the Center as a whole. The table below provides a summary of the Center's net position for 2014 and 2013.

	<b>Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 24,752,299	\$ 21,675,204
Capital assets	<u>4,612,587</u>	<u>4,810,540</u>
Total assets	<u>29,364,886</u>	<u>26,485,744</u>
<b><u>Liabilities</u></b>		
Current liabilities	7,893,817	10,241,714
Long-term liabilities	<u>4,818,869</u>	<u>4,459,136</u>
Total liabilities	<u>12,712,686</u>	<u>14,700,850</u>
<b><u>Net position</u></b>		
Net investment in capital assets	2,318,823	2,439,699
Restricted	269,448	602,863
Unrestricted	<u>14,063,929</u>	<u>8,742,332</u>
Total net position	<u>\$ 16,652,200</u>	<u>\$ 11,784,894</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Center's assets exceeded liabilities by \$16,652,200. Of this total, \$14,063,929 is unrestricted in use.

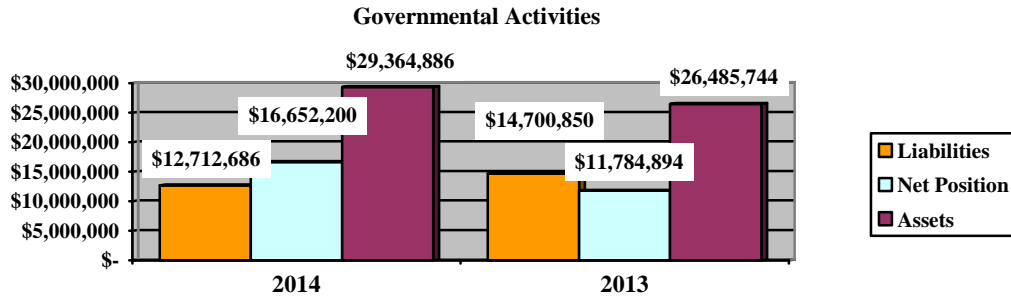
Total current and other assets increased due to higher cash balances as the Center's revenues exceeded expenses. At fiscal year-end, capital assets represented 15.71% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2014 was \$2,318,823. These capital assets are used to provide the Center's services and are not available for future spending.

The decrease in current liabilities is primarily the result of a significant decrease in unearned revenue. Unearned revenue represents payments made by member organizations to the Center for services that have yet to be provided by fiscal year-end.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

A portion of the Center's net position, \$269,448, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$14,063,929 may be used to meet the Center's ongoing obligations to the students and creditors.



The table below shows the change in net position for fiscal year 2014 and 2013.

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 75,513,054	\$ 66,296,352
Operating grants and contributions	12,565,927	8,792,045
General revenues:		
Grants and entitlements	4,157,238	5,023,787
Investment earnings	1,783	21,395
Miscellaneous	<u>244,265</u>	<u>359,482</u>
Total revenues	<u>\$ 92,482,267</u>	<u>\$ 80,493,061</u>

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**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**Change in Net Position (Continued)**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 587,044	\$ 395,815
Special	10,100,097	10,555,388
Other	213,058	804
Support services:		
Pupil	8,185,111	8,268,781
Instructional staff	9,600,004	14,181,401
Board of education	50,510	59,223
Administration	9,138,369	9,101,264
Fiscal	2,252,074	2,096,276
Business	418,458	518,288
Operations and maintenance	1,041,731	1,268,019
Pupil transportation	208,812	192,541
Central	45,512,124	36,991,317
Operation of non-instructional services	54,097	63,877
Extracurricular activities	146,297	142,534
Interest and fiscal charges	<u>107,175</u>	<u>111,980</u>
Total expenses	<u>87,614,961</u>	<u>83,947,508</u>
Change in net position	4,867,306	(3,454,447)
Net position at beginning of year	<u>11,784,894</u>	<u>15,239,341</u>
Net position at end of year	<u>\$ 16,652,200</u>	<u>\$ 11,784,894</u>

**Governmental Activities**

Net position of the Center's governmental activities increased \$4,867,306 during fiscal year 2014. Total governmental expenses of \$87,614,961 were offset by program revenues of \$88,078,981 and general revenues of \$4,403,286. Program revenues supported 100% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from tuition and contracted fees for services provided to other entities. These revenue sources represent 81.65% of total governmental revenue. An increase in service contracts led to the increase in these revenues. Operating grants and contributions, representing revenues that are restricted for a particular program or purpose, also increased due to additional Federal and State grant funding during the year. Unrestricted grants and entitlements were the only major revenue source that saw a decrease in fiscal year 2014, which is the result of a decrease in per-pupil funding from the State.

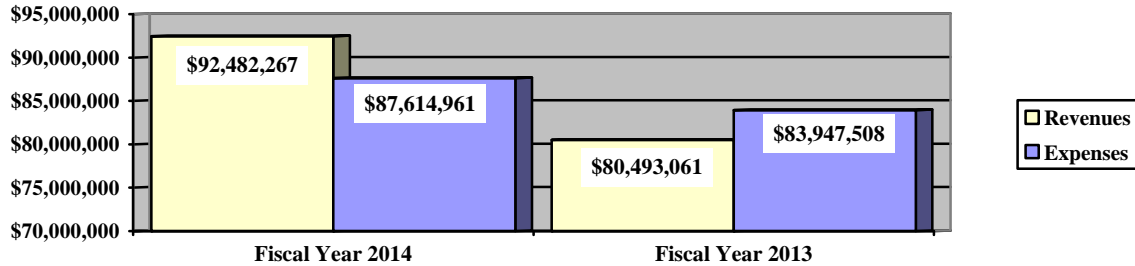
Most of the Center's expenses are for support services; these accounted for \$76,407,193 or 87.21% of total governmental expenses. The most significant of these expenses are for central support services, which are primarily related to the Center's costs for management information and staff recruiting and placement services.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2014 and 2013.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and sales, and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state grants and entitlements, and other general revenues not restricted to a specific program.

**Governmental Activities**

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 587,044	\$ 562,838	\$ 395,815	\$ 393,579
Special	10,100,097	481,964	10,555,388	1,416,488
Other	213,058	36,178	804	804
Support services:				
Pupil	8,185,111	530,123	8,268,781	1,103,952
Instructional staff	9,600,004	457,826	14,181,401	1,816,090
Board of education	50,510	2,702	59,223	7,949
Administration	9,138,369	(2,373,121)	9,101,264	(221,622)
Fiscal	2,252,074	125,820	2,096,276	251,800
Business	418,458	(17,049)	518,288	62,435
Operations and maintenance	1,041,731	121,325	1,268,019	206,421
Pupil transportation	208,812	208,812	192,541	192,541
Central	45,512,124	(908,338)	36,991,317	3,310,283
Operation of non-instructional services	54,097	53,428	63,877	63,877
Extracurricular activities	146,297	146,297	142,534	142,534
Interest and fiscal charges	107,175	107,175	111,980	111,980
<b>Total expenses</b>	<b>\$ 87,614,961</b>	<b>\$ (464,020)</b>	<b>\$ 83,947,508</b>	<b>\$ 8,859,111</b>

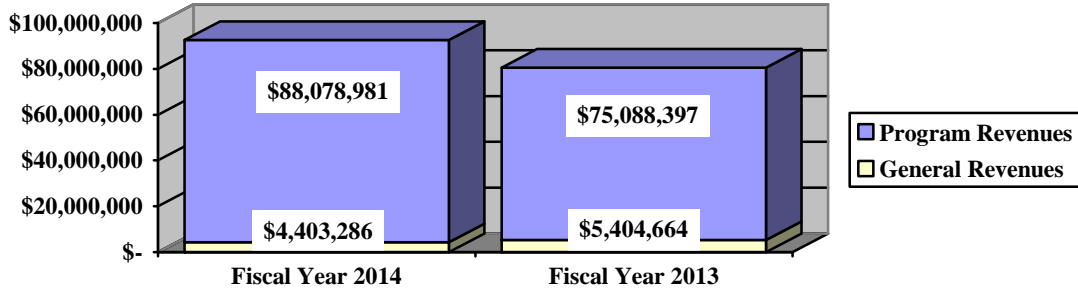
For all governmental activities, program revenue support is 100.00% at June 30, 2014 and 89.45% at June 30, 2013. The primary support of the Center is contracted fees for services provided to other districts.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

The graph below presents the Center's governmental activities revenue for fiscal year 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The Center's Funds**

The Center's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$13,941,387 which is \$7,575,775 higher than last fiscal year's total of \$6,365,612. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	<u>Fund Balance June 30, 2014</u>	<u>Fund Balance June 30, 2013</u>	<u>Increase</u>
General Fund	\$ 13,818,905	\$ 6,364,647	\$ 7,454,258
Nonmajor Governmental Funds	<u>122,482</u>	<u>965</u>	<u>121,517</u>
Total	<u>\$ 13,941,387</u>	<u>\$ 6,365,612</u>	<u>\$ 7,575,775</u>

**General Fund**

The Center's general fund balance increased in fiscal year 2014 by \$7,454,258. The table that follows assists in illustrating the financial activities and change in fund balance of the general fund.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Tuition	\$ 11,248,392	\$ 11,986,892	(6.16) %
Customer services	63,864,821	50,006,011	27.71 %
Earnings on investments	1,783	21,939	(91.87) %
Intergovernmental	10,346,295	8,242,260	25.53 %
Other revenues	<u>239,958</u>	<u>354,180</u>	(32.25) %
Total	<u>\$ 85,701,249</u>	<u>\$ 70,611,282</u>	21.37 %
<b><u>Expenditures</u></b>			
Instruction	\$ 9,108,857	\$ 9,330,474	(2.38) %
Support services	69,894,787	66,267,442	5.47 %
Operation of non-instructional services	53,361	63,880	(16.47) %
Extracurricular activities	148,802	138,149	7.71 %
Facilities acquisition and construction	-	7,096	(100.00) %
Debt service	<u>383,236</u>	<u>427,425</u>	(10.34) %
Total	<u>\$ 79,589,043</u>	<u>\$ 76,234,466</u>	4.40 %

Both revenues and expenditures increased during fiscal year 2014 as a result of additional services contracts with member entities. The general fund received more State grant revenue in 2014, particularly for the Center's OCALI grant program.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the Center had \$4,612,587 invested in land, buildings, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2014 balances compared to 2013.

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 575,181	\$ 575,181
Buildings	3,005,897	3,101,375
Furniture and equipment	996,089	1,083,075
Vehicles	<u>35,420</u>	<u>50,909</u>
Total	<u>\$ 4,612,587</u>	<u>\$ 4,810,540</u>

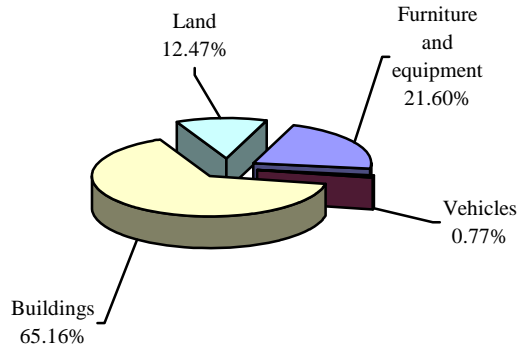
Total additions to capital assets for 2014 were \$271,607. A total of \$368,217 in depreciation expense was recognized and disposals were \$101,343 (net of accumulated depreciation) for fiscal year 2014.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

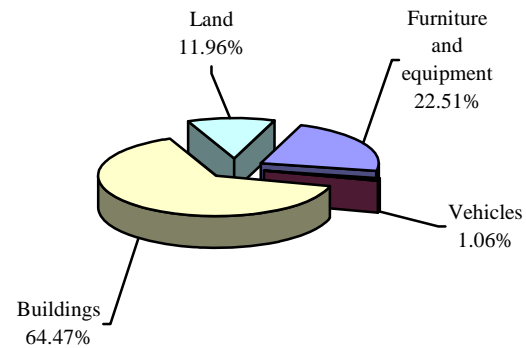
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The graphs below present the Center's capital assets for fiscal years 2014 and 2013.

**Capital Assets - Governmental Activities  
2014**



**Capital Assets - Governmental Activities  
2013**



See Note 7 in the notes to the basic financial statements for additional information on the Center's capital assets.

***Debt Administration***

At June 30, 2014 the Center had \$2,293,764 in a lease purchase and capital lease agreement outstanding. Of this total, \$277,430 is due within one year and \$2,016,334 is due in greater than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Fiscal Year End**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Lease purchase agreement	\$ 2,142,000	\$ 2,362,000
Capital lease obligations	151,764	8,841
<b>Total</b>	<b><u>\$ 2,293,764</u></b>	<b><u>\$ 2,370,841</u></b>

See Note 9 in the notes to the basic financial statements for detail on the Center's debt administration.

**Current Financial Related Activities**

The Center is in a stable financial position at the end of June 2014. The Governing Board has a permanent improvement fund to cover possible future office space needs or payment of office building rental, and future technology equipment needs. Legislative requirements for the development of Ohio Educational Regional Service System will have an impact on educational service centers in the future. At this time, it is impossible to determine what effect this legislation will have on the Educational Service Center of Central Ohio.



**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be directed to Mr. Alan Hutchinson, Treasurer, Educational Service Center of Central Ohio, 2080 Citygate Dr., Columbus, Ohio 43219.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 15,174,790	\$ 1,528,309
Receivables:		
Accounts. . . . .	400,390	-
Intergovernmental . . . . .	9,174,664	3,933,223
Loans. . . . .	2,455	-
Restricted assets:		
Cash held on behalf of others . . . . .	-	1,204,257
Receivables . . . . .	-	81,672
Capital assets:		
Land . . . . .	575,181	-
Depreciable capital assets, net. . . . .	4,037,406	-
Capital assets, net . . . . .	4,612,587	-
Total assets. . . . .	29,364,886	6,747,461
<b>Liabilities:</b>		
Accounts payable. . . . .	670,323	862
Accrued wages and benefits payable . . . . .	2,861,260	2,795,392
Due to other governments . . . . .	3,319,853	1,318,507
Claims payable . . . . .	558,243	-
Accrued interest payable . . . . .	7,954	-
Unearned revenue . . . . .	476,184	-
Payable from restricted assets . . . . .	-	1,285,929
Long-term liabilities:		
Due within one year. . . . .	1,056,128	358,624
Due in more than one year . . . . .	3,762,741	373,305
Total liabilities . . . . .	12,712,686	6,132,619
<b>Net position:</b>		
Net investment in capital assets. . . . .	2,318,823	-
Restricted for:		
Locally funded programs . . . . .	48,385	-
Federally funded programs . . . . .	220,858	-
Student activities . . . . .	205	-
Unrestricted. . . . .	14,063,929	614,842
Total net position . . . . .	\$ 16,652,200	\$ 614,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Component Unit
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 587,044	\$ -	\$ 24,206	\$ (562,838)	\$ -
Special . . . . .	10,100,097	9,210,198	407,935	(481,964)	-
Other . . . . .	213,058	-	176,880	(36,178)	-
Support services:					
Pupil . . . . .	8,185,111	7,594,949	60,039	(530,123)	-
Instructional staff . . . . .	9,600,004	6,255,908	2,886,270	(457,826)	-
Board of education . . . . .	50,510	47,808	-	(2,702)	-
Administration. . . . .	9,138,369	7,340,523	4,170,967	2,373,121	-
Fiscal. . . . .	2,252,074	1,802,577	323,677	(125,820)	-
Business. . . . .	418,458	435,465	42	17,049	-
Operations and maintenance . . . . .	1,041,731	773,512	146,894	(121,325)	-
Pupil transportation. . . . .	208,812	-	-	(208,812)	-
Central . . . . .	45,512,124	42,052,114	4,368,348	908,338	-
Operation of non-instructional					
services . . . . .	54,097	-	669	(53,428)	-
Extracurricular activities. . . . .	146,297	-	-	(146,297)	-
Interest and fiscal charges . . . . .	107,175	-	-	(107,175)	-
Total governmental activities . . . . .	<u>\$ 87,614,961</u>	<u>\$ 75,513,054</u>	<u>\$ 12,565,927</u>	<u>464,020</u>	<u>-</u>
<b>Component unit:</b>					
Educational Service Center					
Council of Governments . . . . .	<u>\$ 52,714,784</u>	<u>\$ 52,771,672</u>	<u>\$ -</u>	<u>-</u>	<u>56,888</u>
<b>General revenues:</b>					
Grants and entitlements not restricted					
to specific programs . . . . .				4,157,238	-
Investment earnings . . . . .				1,783	-
Miscellaneous . . . . .				244,265	-
Total general revenues . . . . .				<u>4,403,286</u>	<u>-</u>
Change in net position . . . . .				4,867,306	56,888
<b>Net position at beginning of fiscal year. . . . .</b>				<u>11,784,894</u>	<u>557,954</u>
<b>Net position at end of fiscal year . . . . .</b>				<u>\$ 16,652,200</u>	<u>\$ 614,842</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 14,180,838	\$ 218,024	\$ 14,398,862
Receivables:			
Accounts . . . . .	400,390	-	400,390
Intergovernmental . . . . .	7,721,477	1,453,187	9,174,664
Loans . . . . .	2,455	-	2,455
Due from other funds . . . . .	485,299	-	485,299
Loans to other funds. . . . .	4,889	-	4,889
Total assets . . . . .	<u>\$ 22,795,348</u>	<u>\$ 1,671,211</u>	<u>\$ 24,466,559</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 389,707	\$ 279,361	\$ 669,068
Accrued wages and benefits payable . . . . .	2,811,054	50,206	2,861,260
Compensated absences payable . . . . .	162,807	-	162,807
Due to other governments. . . . .	2,946,395	373,458	3,319,853
Due to other funds. . . . .	-	485,299	485,299
Loans from other funds . . . . .	-	4,889	4,889
Unearned revenue . . . . .	476,184	-	476,184
Total liabilities. . . . .	<u>6,786,147</u>	<u>1,193,213</u>	<u>7,979,360</u>
<b>Deferred inflows of resources:</b>			
Customer services revenue not available . . . . .	2,005,496	-	2,005,496
Intergovernmental revenue not available . . . . .	175,191	355,516	530,707
Other revenue not available . . . . .	9,609	-	9,609
Total deferred inflows of resources . . . . .	<u>2,190,296</u>	<u>355,516</u>	<u>2,545,812</u>
<b>Fund balances:</b>			
Nonspendable:			
Long-term loans. . . . .	4,889	-	4,889
Restricted:			
Special education . . . . .	-	5,333	5,333
Targeted academic assistance . . . . .	-	539	539
Student activities . . . . .	-	205	205
Other purposes . . . . .	-	139,129	139,129
Assigned:			
Student instruction . . . . .	73,247	-	73,247
Student and staff support . . . . .	1,562,126	-	1,562,126
Capital improvements . . . . .	-	190,919	190,919
Unassigned (deficit) . . . . .	12,178,643	(213,643)	11,965,000
Total fund balances. . . . .	<u>13,818,905</u>	<u>122,482</u>	<u>13,941,387</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 22,795,348</u>	<u>\$ 1,671,211</u>	<u>\$ 24,466,559</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$ 13,941,387
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,612,587
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Customer services receivable	\$ 2,005,496	
Accounts receivable	9,609	
Intergovernmental receivable	530,707	
Total	2,545,812	2,545,812
Internal service funds are used by management to charge the costs of insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position.		216,430
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,954)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,740,774)	
Intergovernmental payable	(621,524)	
Capital lease obligations	(151,764)	
Lease purchase agreement	(2,142,000)	
Total	(4,656,062)	(4,656,062)
<b>Net position of governmental activities</b>		<b>\$ 16,652,200</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Tuition . . . . .	\$ 11,248,392	\$ -	\$ 11,248,392
Customer services . . . . .	63,864,821	1,534,942	65,399,763
Earnings on investments . . . . .	1,783	-	1,783
Rental income . . . . .	183,028	-	183,028
Contributions and donations . . . . .	-	20,000	20,000
Other local revenues . . . . .	56,930	370,422	427,352
Intergovernmental - intermediate . . . . .	33,400	257,300	290,700
Intergovernmental - state . . . . .	8,455,513	640,839	9,096,352
Intergovernmental - federal . . . . .	1,857,382	5,014,528	6,871,910
Total revenues . . . . .	<u>85,701,249</u>	<u>7,838,031</u>	<u>93,539,280</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	559,243	23,140	582,383
Special . . . . .	8,549,614	1,533,447	10,083,061
Other . . . . .	-	213,058	213,058
Support services:			
Pupil . . . . .	8,028,788	72,319	8,101,107
Instructional staff . . . . .	6,529,067	2,874,775	9,403,842
Board of education . . . . .	50,538	-	50,538
Administration . . . . .	7,693,215	1,216,307	8,909,522
Fiscal . . . . .	1,833,247	394,850	2,228,097
Business . . . . .	460,100	269	460,369
Operations and maintenance . . . . .	807,421	162,766	970,187
Pupil transportation . . . . .	199,257	-	199,257
Central . . . . .	44,293,154	1,211,525	45,504,679
Operation of non-instructional services	53,361	658	54,019
Extracurricular activities . . . . .	148,802	-	148,802
Facilities acquisition and construction . . . . .	-	26,900	26,900
Debt service:			
Principal retirement . . . . .	275,244	-	275,244
Interest and fiscal charges . . . . .	107,992	-	107,992
Total expenditures . . . . .	<u>79,589,043</u>	<u>7,730,014</u>	<u>87,319,057</u>
Excess of revenues over expenditures . . . . .	<u>6,112,206</u>	<u>108,017</u>	<u>6,220,223</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	1,157,385	13,500	1,170,885
Transfers (out) . . . . .	(13,500)	-	(13,500)
Capital lease transaction . . . . .	198,167	-	198,167
Total other financing sources (uses) . . . . .	<u>1,342,052</u>	<u>13,500</u>	<u>1,355,552</u>
Net change in fund balances . . . . .	7,454,258	121,517	7,575,775
<b>Fund balances at beginning of fiscal year . . . . .</b>	<u>6,364,647</u>	<u>965</u>	<u>6,365,612</u>
<b>Fund balances at end of fiscal year . . . . .</b>	<u>\$ 13,818,905</u>	<u>\$ 122,482</u>	<u>\$ 13,941,387</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	7,575,775
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 271,607	
Current year depreciation	<u>(368,217)</u>	
Total		(96,610)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(101,343)
The capital lease transaction is reported as an other financing source in the governmental funds, but the transaction increases liabilities on the statement of net position.		
		(198,167)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		275,244
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Customer services	(1,135,101)	
Other revenue	(45,693)	
Intergovernmental	<u>123,781</u>	
Total		(1,057,013)
The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		
		(1,170,902)
In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, an interest expenditure is reported when due.		
		817
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(360,495)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>4,867,306</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 775,928
Total assets. . . . .	<u>775,928</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	1,255
Claims payable . . . . .	<u>558,243</u>
Total liabilities . . . . .	<u>559,498</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>216,430</u>
Total net position . . . . .	<u><u>\$ 216,430</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 6,254,003
Total operating revenues . . . . .	<u>6,254,003</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	127,033
Claims . . . . .	<u>6,140,487</u>
Total operating expenses. . . . .	<u>6,267,520</u>
Operating loss. . . . .	<u>(13,517)</u>
Transfer out . . . . .	<u>(1,157,385)</u>
Change in net position . . . . .	(1,170,902)
<b>Net position at beginning of fiscal year. . . . .</b>	<u>1,387,332</u>
<b>Net position at end of fiscal year . . . . .</b>	<u>\$ 216,430</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 6,254,003
Cash payments for purchased services. . . . .	(125,778)
Cash payments for claims . . . . .	<u>(6,453,985)</u>
Net cash used in operating activities . . . . .	<u>(325,760)</u>
<b>Cash flows from noncapital financing activities:</b>	
Residual equity transfer out . . . . .	<u>(1,157,385)</u>
Net cash used in noncapital financing activities. . . . .	<u>(1,157,385)</u>
Net decrease in cash and cash equivalents . . . . .	(1,483,145)
<b>Cash and cash equivalents at beginning of fiscal year. . . . .</b>	<b>2,259,073</b>
<b>Cash and cash equivalents at end of fiscal year . . . . .</b>	<b><u>\$ 775,928</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (13,517)
Changes in assets and liabilities:	
Increase in accounts payable. . . . .	1,255
Decrease in claims payable. . . . .	<u>(313,498)</u>
Net cash used in operating activities. . . . .	<u>\$ (325,760)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2014

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,967,515
Receivables:	
Accounts . . . . .	5,970
Intergovernmental . . . . .	281,736
Total assets. . . . .	\$ 2,255,221
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 414,613
Accrued wages and benefits . . . . .	1,635
Intergovernmental payable . . . . .	1,834,993
Deposits held on behalf of others. . . . .	1,525
Loans payable. . . . .	2,455
Total liabilities . . . . .	\$ 2,255,221

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE CENTER**

The Educational Service Center of Central Ohio (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The Center operates under a locally-elected five member Governing Board form of government and provides educational services as mandated by State or federal agencies. The Governing Board controls the Center's staff that provides services to students and other community members.

The Center provides services in the area of special education classes, supervision, administration, fiscal and other needed services to 25 school districts in Delaware, Franklin, Licking, Ross and Union Counties. In addition, the Center provides contracted services and fiscal services for non-public schools and various state and local agencies such as the Ohio Department of Education projects and the Catholic Diocese.

The Center is located in Columbus, Ohio and is staffed by 290 certified and 211 non-certified personnel.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations and student related activities of the Center.

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's Governing Board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Center has one component unit, which is discussed on the following page.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship with the Center.

The Center is the fiscal agent for the Franklin County Family and Children First Council (the "Council"). The Center is responsible for receiving and disbursing funds at the direction of the Council. This entity is legally separate from the Center. The Center is the fiscal agent and custodian for the Council, but is not accountable; therefore, the operations of the Council have been included as an agency fund in the Center's basic financial statements. The funds invested on behalf of the Council have been included in the basic financial statements as "equity in pooled cash and cash equivalents".

*COMPONENT UNIT*

Educational Service Center Council of Governments (the "Council") - The Council is a legally separate body politic and corporate served by an appointed three-member Board of Directors that meets the definition of regional council of governments under Chapter 167 of the Ohio Revised Code. The Council provides employment services primarily to the Center. The Council is a jointly governed entity between the Center and the Gahanna-Jefferson Public Schools. Other school districts, community schools and other political subdivisions that have entered into service agreements with the Council shall automatically be members of the Council's Advisory Committee during the terms of such agreements. The Treasurer of the Center is also the Treasurer of the Council.

The Center appoints a majority of the Council's governing board, therefore the Council has been determined to be a discretely presented component unit and has been included as part of the Center's basic financial statements. The Council issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. The report may be obtained by writing to the Treasurer of the Educational Service Center of Central Ohio, 2080 Citygate Dr., Columbus, Ohio 43219.

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Educational Council (the "MEC") - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts and educational service centers in Franklin County and surrounding areas by cooperative action membership. The Governing Board consists of a representative from each of the Franklin County School districts and the Center. School districts and educational service centers outside of Franklin County are associate members and each county selects a single district or center to represent them on the Governing Board. MEC is its own fiscal agent. The Center does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the Center.

Delaware Area Career Center

The Delaware Area Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of two representatives from each of the participating school districts' elected boards, and one representative from the Center. The Career Center possesses its own budgeting and taxing authority. Financial information is available from Christopher Bell, Treasurer, Delaware Area Career Center, at 4565 Columbus Pike, Delaware, Ohio 43015.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, and one representative from the Center. The Career Center possesses its own budgeting and taxing authority. Financial information is available from Steve Earnest, Treasurer, Tri-Rivers Career Center, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

*PUBLIC ENTITY RISK POOL*

Optimal Health Initiatives Consortium

Effective March 1, 2014, the Center is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts and other entities whose self-insurance programs for health care benefits were administered previously under the Scioto county Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The four merging plans will operate as divisions, providing local separation of assets and decision making for issues, such as plan design, rates, reserve management, etc. The purpose for the merger is to enhance the independent survivability of the plan from state and federal control by significantly increasing the number of members served on a state-wide basis. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

**B. Fund Accounting**

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the Center's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Other governmental funds of the Center are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the Center's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is a description of the Center's proprietary fund:

*Internal service funds* - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center, or to other governments, on a cost-reimbursement basis. The internal service funds of the Center account for self-insurance programs which provide medical, dental and workers' compensation benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for various resources held for other organizations and individuals.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Center that are governmental and those that are considered business-type.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Center and for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements - Fund financial statements report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows and current liabilities and deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the Center's internal service funds is charges for services. Operating expenses for internal service funds include charges for services and claims expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: tuition, grants, and contract services.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the Center that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Center that is applicable to a future reporting period.

Revenues received in advance of the fiscal year for which they were intended to finance have been recorded as deferred inflows of resources. Grants not received within the available period and grants and entitlements received before the timing requirements are met are recorded as deferred inflows of resources on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

**E. Budgetary Process**

Although not legally required, the Center adopts a budget for all funds, except agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In fiscal year 2004, the Center requirement to file budgetary information with the Ohio Department of Education was eliminated and the Center has elected to not present budgetary schedules as supplementary information for fiscal year 2014. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated resources. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures 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.

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The Center has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$1,783, which includes \$453 assigned from other Center funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Center's investment account at fiscal year-end is provided in Note 4.

**G. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$1,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**H. Compensated Absences**

The Center accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments.

All employees with eight or more years of service were included in the calculation of the long-term compensated absences accrual amount. Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments as termination or retirement.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Lease purchase agreements and capital leases are recognized as a liability on the fund financial statements when due.

**J. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*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 Governing Board (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 Center for specific purposes, but do not meet the criteria to be classified as restricted nor 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 of the Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**L. Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

**N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund activities between governmental funds are eliminated in the statement of activities.

**O. Interfund Balances**

On fund financial statements, receivables and payables to cover deficit cash balances are classified as “due to/from other funds.” On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “loans to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

Loans between governmental funds and agency funds are reported as “loans receivable/payable” on the financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the Center has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Center.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Miscellaneous State grants	\$ 44,913
Race to the Top	156,073
IDEA Part B	12,657

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Center into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the Center had \$750 in undeposited cash on hand which is included on the financial statements of the Center as part of "equity in pooled cash and cash equivalents".

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all Center deposits was \$17,118,780. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$17,022,042 of the Center’s bank balance of \$17,433,218 was exposed to custodial risk as discussed below, while \$411,176 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Center’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2014, the Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 22,775	\$ 22,775

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Center’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center’s investment policy does not specifically address credit risk beyond requiring the Center to only invest in securities authorized by State statute.

*Concentration of Credit Risk:* The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 22,775	100.00



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 17,118,780
Investments	22,775
Cash on hand	<u>750</u>
 Total	 <u>\$ 17,142,305</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 15,174,790
Agency funds	<u>1,967,515</u>
 Total	 <u>\$ 17,142,305</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2014, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 485,299

The primary purpose of the due to/from other funds is to cover negative cash at fiscal year end. The interfund balances will be repaid once the anticipated revenues are received. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

- B.** Interfund balances at June 30, 2014, as reported on the fund statements as loans to/from other funds, consist of the following individual long-term interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 4,889

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The interfund balances are not expected to be repaid within one year.

- C.** Interfund transfers for the fiscal year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 13,500
Internal service funds	General fund	1,157,385

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

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the internal service fund were made to close out the Center's medical and dental benefits self-insurance fund.

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- D.** Loans between governmental funds and agency funds to cover negative cash at fiscal year end are reported as "loans receivable/payable" on the financial statements. The Center had the following loans outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency funds	\$ 2,455

These loans are expected to be repaid in the subsequent year as resources become available in the agency funds.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2014 consisted of accounts and intergovernmental, which represent billings to school districts and other parties for user charged services, and loans. All receivables are considered collectible in full. Receivables have been disaggregated on the face of the basic financial statements. Except for intergovernmental receivables of \$258,799, all receivables are expected to be collected within the subsequent year.

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**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/14</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 575,181	\$ -	\$ -	\$ 575,181
Capital assets, not being depreciated	<u>575,181</u>	<u>-</u>	<u>-</u>	<u>575,181</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,690,221	-	-	3,690,221
Furniture and equipment	4,457,066	271,607	(678,522)	4,050,151
Vehicles	238,470	-	-	238,470
Total capital assets, being depreciated	<u>8,385,757</u>	<u>271,607</u>	<u>(678,522)</u>	<u>7,978,842</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(588,846)	(95,478)	-	(684,324)
Furniture and equipment	(3,373,991)	(257,250)	577,179	(3,054,062)
Vehicles	(187,561)	(15,489)	-	(203,050)
Total accumulated depreciation	<u>(4,150,398)</u>	<u>(368,217)</u>	<u>577,179</u>	<u>(3,941,436)</u>
Governmental activities capital assets, net	<u>\$ 4,810,540</u>	<u>\$ (96,610)</u>	<u>\$ (101,343)</u>	<u>\$ 4,612,587</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Special	\$ 31,225
<u>Support services:</u>	
Pupil	332
Instructional staff	16,443
Administration	116,916
Fiscal	3,285
Business	3,368
Operations and maintenance	42,116
Pupil transportation	8,090
Central	<u>146,442</u>
Accumulated depreciation	<u>\$ 368,217</u>

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - LEASE OBLIGATIONS - LESSEE DISCLOSURE**

**A. Lease-Purchase Agreement**

On December 21, 2006, the Center entered into a fifteen year \$3,500,000 lease-purchase agreement to purchase the office building located at 2080 Citygate Drive, Columbus, Ohio. The lease-purchase agreement is with the OASBO Expanded Asset Pool Financing Program with bonds issued through the Columbus Regional Airport Authority. At June 30, 2014, capital assets acquired by lease purchase have been capitalized under land and buildings in the amounts of \$128,300 and \$3,371,700, respectively. Accumulated depreciation on buildings as of June 30, 2014 was \$641,209 leaving a current book value of \$2,730,491. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2014 totaled \$220,000 and \$100,347, respectively.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2014.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2015	\$ 319,343
2016	318,917
2017	319,022
2018	318,637
2019	317,762
2020 - 2022	<u>951,713</u>
Total minimum lease payments	2,545,394
Less: amount representing interest	<u>(403,394)</u>
Present value of minimum lease payments	<u>\$ 2,142,000</u>

**B. Capital Lease Agreement**

During fiscal year 2014, the Center entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of \$198,167. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation on the equipment as of June 30, 2014 was \$49,542 leaving a current book value of \$148,625. Principal payments in fiscal year 2014 totaled \$55,244 paid by the general fund.

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

**NOTE 8 - LEASE OBLIGATIONS - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 54,016
2016	54,016
2017	<u>54,016</u>
Total minimum lease payments	162,048
Less: amount representing interest	<u>(10,284)</u>
Present value of minimum lease payments	<u>\$ 151,764</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

The Center's long-term obligations at fiscal year end consist of the following:

	<u>Balance Outstanding 06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/14</u>	<u>Amounts Due in One Year</u>
Compensated absences	\$ 2,088,295	\$ 575,046	\$ (759,760)	\$ 1,903,581	\$ 494,190
Intergovernmental payable	-	621,524	-	621,524	284,508
Capital lease	8,841	198,167	(55,244)	151,764	48,430
Lease purchase agreement	<u>2,362,000</u>	<u>-</u>	<u>(220,000)</u>	<u>2,142,000</u>	<u>229,000</u>
Total long-term obligations	<u>\$ 4,459,136</u>	<u>\$ 1,394,737</u>	<u>\$(1,035,004)</u>	<u>\$ 4,818,869</u>	<u>\$ 1,056,128</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid which is primarily the general fund. The intergovernmental payable will be paid from the general fund. See Note 8 for details on the lease purchase agreement and capital lease.

**NOTE 10 - RISK MANAGEMENT**

**A. General Risk**

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center has addressed the various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. Fleet insurance is maintained in the amount of \$1,000,000 for each occurrence. Excess liability insurance is maintained in the amount of \$4,000,000 for each occurrence, offense, accident or wrongful act limit and \$4,000,000 annual aggregate limit.

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

**NOTE 10 - RISK MANAGEMENT - (Continued)**

The Center maintains commercial property insurance on buildings and buildings contents in the amount of \$11,098,548 with supplemental coverage for computers and classroom equipment in the amount of \$500,000.

Other insurance includes hired non-owned auto coverage for employees using their vehicles for Center business.

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

**B. Workers' Compensation**

Effective July 1, 2012, the Center became self-insured in an effort to control claims and costs related to injured workers' compensation. The Center pays into a self-insurance internal service fund a percentage of the covered employees' salaries. The rate is fixed and determined annually based on claims experience. The Center contracts with a third party to manage claims and also purchased stop-loss coverage for claims exceeding \$400,000.

The claims liability of \$9,440 at June 30, 2014, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

The change in claims activity for the past two fiscal years is as follows:

	Balance <u>June 30, 2014</u>	Balance <u>June 30, 2013</u>
Claims liability at beginning of fiscal year	\$ 5,149	\$ -
Incurred claims	67,382	74,475
Claims paid	<u>(63,091)</u>	<u>(69,326)</u>
Claims liability at end of fiscal year	<u>\$ 9,440</u>	<u>\$ 5,149</u>

**C. Health and Dental Insurance**

Effective March 1, 2014, the Center is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts and other entities whose self-insurance programs for health care benefits were administered previously under the Scioto county Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The four merging plans will operate as divisions, providing local separation of assets and decision making for issues, such as plan design, rates, reserve management, etc. The purpose for the merger is to enhance the independent survivability of the plan from state and federal control by significantly increasing the number of members served on a state-wide basis. The Center provides employee health and dental insurance through Consortium. The Center pays 80% of contributions and employees pay 20%. The risk of loss transfers to the Consortium once premiums are paid by the Center.

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

**NOTE 10 - RISK MANAGEMENT - (Continued)**

From October 1, 2012 through February 28, 2014, all enrolled employees were covered under the Center's self-insurance plan for health and dental insurance, which is accounted for in an internal service fund. The Center paid 80% of contributions and employees paid 20%. These costs are allocated to the fund that pays the salary of the enrolled employee, and are accounted for as expenditures in the paying funds and charges for services in the internal service fund.

**NOTE 11 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from Center policy and State laws. Only administrative and support personnel who are under a full year contract are eligible for vacation time.

The Superintendent and Treasurer receive thirty days of vacation per year. Certified employees on an eleven month contract receive ten days per year. All other full time employees earn up to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
1 - 9	12
10 - 19	15
20 - Beyond	20

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis.

For all employees, retirement severance is paid to each employee retiring from the Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement up to a maximum of thirty days for employees with less than eight years of service and a maximum of fifty days for employees with eight years or more of service, with the exception of the Superintendent and former Superintendent of Delaware Union Educational Service Center who have no maximum.

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**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$907,527, \$1,025,290 and \$1,249,890, respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

Plan Description - The 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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

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 fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,219,754, \$2,308,420 and \$2,313,741, respectively; 100 percent has been contributed for all three fiscal years. There were no contributions to the DC and Combined Plans for fiscal year 2014.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

**NOTE 13- POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13- POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$148,575, \$155,769 and \$230,142, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$52,650, \$57,917 and \$73,812, respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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), under "Publications" or by calling (888) 227-7877.

Funding Policy -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$170,750, \$177,571 and \$177,980, respectively; 100 percent has been contributed for all three fiscal years.

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

**NOTE 14 - STATE FUNDING**

The Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from state resources. Part (B) of the budget is provided by the school districts to which the Center provided services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Center by \$37. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Center through additional reductions in their resources provided through the State Foundation Program. The State Governing Board initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE**

- A. On November 16, 2012, the Center entered into a lease agreement on behalf of the Central Ohio Special Education Regional Resource Center with the Columbus City School District (the "Landlord") to rent space in the Glenmont Elementary School. The length of the lease shall be for a period of 36 months commencing September 1, 2012, and ending on August 31, 2015. The Center retains the option to renew for an additional three year term. Either party may terminate the lease with six months written notice provided the party seeking to terminate is not in default of the lease at the time notice is provided or at any time during the six month notice period.

The Center shall pay to the Landlord the annual base rent payable in monthly installments each in advance on the first day of each and every month during the term. The annual base rent shall be paid as follows:

<u>Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>
1	\$ 51,947	\$ 4,329
2	53,246	4,437
3	54,577	4,548

- B. On June 25, 2013, the Center entered into a lease agreement with the Delaware Area Career Center (the "Landlord") to rent building space. The length of the lease shall be for a period of 24 months commencing July 1, 2013, and ending on June 30, 2015. The Center retains the option to renew for an additional two year term upon the same terms of this lease, subject to a two percent yearly rent increase.

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

**NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE - (Continued)**

The Center shall pay to the Landlord the annual base rent payable in monthly installments each in advance on or before the first day of each and every month during the term. The annual base rent shall be paid as follows:

<u>Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>
1	\$ 2,858	\$ 238
2	2,915	243

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The Center receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims or expenditures will not have a material adverse effect on the financial position of the Center at June 30, 2014.

**B. Litigation**

The Center is party to legal proceedings but is unable to determine what effect, if any, impacting the financial condition of the Center.

**NOTE 17 - OTHER COMMITMENTS**

The Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the Center's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 1,631,445
Nonmajor governmental	<u>1,607,480</u>
Total	<u>\$ 3,238,925</u>

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS**

The Educational Service Center Council of Governments (the Council), doing business as the Shared Services Council of Governments, is a legally separate body politic and corporate served by an appointed three-member Board of Directors that meets the definition of regional council of governments under Chapter 167 of the Ohio Revised Code. The three member Board is made up of representatives from Gahanna Jefferson Public Schools, Delaware City Schools and the Educational Service Center of Central Ohio. The Council provides employment services primarily to the Center.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

The Council is a jointly governed entity between the Center and the Gahanna-Jefferson Public Schools. Other School Districts, community schools and other political subdivisions that have entered into service agreements with the Council shall automatically be members of the Council's Advisory Committee during the terms of such agreements. The Treasurer of the Center is also the Treasurer of the Council. The Council is a component unit of the Center; the Center appoints a majority of the Council's Governing Board.

The Council participates in a public entity shared risk pool to provide health and dental benefits to its employees. See Note 18.L for additional detail.

**A. Summary of Significant Accounting Policies**

**Accounting Basis** - The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Council's accounting policies.

**Basis of Presentation** - The Council's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus** - The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position.

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Council's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Council receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Council on a reimbursement basis. Expenses are recognized at the time they are incurred.

**Budgetary Process** - Regional Councils of Government are not subject to budgetary provisions set forth in the Ohio Revised Code Chapter 5705.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

***Cash and Cash Equivalents*** - Cash held by the Council is reflected as “cash and cash equivalents” on the statement of net position. All monies received by the Council are maintained in a demand deposit account. For internal accounting purposes, the Council segregates its cash. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The Council had no investments during the fiscal year ended June 30, 2014.

***Capital Assets*** - The Council maintains no capital assets.

***Net Position*** - Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council did not have any restricted net position at fiscal year end.

The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Compensated Absences*** - Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or some other means. The Council records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Council has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the Council’s termination policy. The Council records a liability for accumulated unused sick leave for all employees age 52 years and older.

***Accrued Liabilities and Long-Term Obligations*** - All payables, accrued liabilities and long-term obligations are reported in the financial statements.

***Estimates*** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***Operating Revenues and Expenses*** - Operating revenues are those revenues that are generally directly from the primary activities of the Council. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Council. All revenues and expenses not meeting this definition are reported as non-operating.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

*Extraordinary and Special Items* - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The Council had no extraordinary or special items during fiscal year 2014.

**B. Agency Activities / Restricted Assets and Liabilities**

The Council, in conjunction with the Educational Service Center of Central Ohio, acts as fiscal agent for the assets and liabilities of The Educational Council. Founded in 1986, the Educational Council provides cross-district programs and services for the 16 public school districts in Franklin County, striving to enhance the lives of students, teachers and parents. During its first 15 years, the Council offered a variety of programs and services from the Safe and Drug Free Consortium (including the PPAAUS survey, assessing students' attitudes toward school, teachers and parents as well as substance abuse), the Math Science Collaborative (providing professional development opportunities to teachers in order to enhance instruction), the Christopher Program (now Mosaic, an innovative interdisciplinary humanities program for students) as well as After School and Student Leadership programs. In the last decade, the Council added several important initiatives, including the Metro School, which is now an independent public charter STEM school.

The assets and liabilities of The Educational Council are presented on the statement of net position as restricted assets and liabilities. The operations of The Educational Council are excluded from the statement of revenues and expenses and changes in net position, as well as the statement of cash flows, as the Council and the Educational Service Center of Central Ohio are acting custodians of The Educational Council.

**C. Accountability and Compliance**

*Change in Accounting Principles* - For fiscal year 2014, the Council has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Council.

**D. Cash Deposits**

At June 30, 2014, the carrying amount of all Council deposits was \$2,732,566. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,454,468 of the School's bank balance of \$2,704,468 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the Council's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council. The Council has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Council to a successful claim by the FDIC.

**E. Receivables**

Receivables at June 30, 2014 consist of amounts due from operations. \$373,305 is not expected to be collected within one year and is reported as a non-current asset on the statement of net position.

**F. Long-Term Liabilities**

The following is a summary of the Council's long-term obligation activity in fiscal year 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ -	\$ 731,929	\$ -	\$ 731,929	\$ 358,624

**G. Related Party Transactions**

The Council is a jointly governed entity between the Center and the Gahanna-Jefferson Public Schools. During fiscal year 2014, the Council received a \$600,000 loan from the Center. The loan was repaid prior to fiscal year end.

**H. Contingencies**

There are currently no matters in litigation with the Council as plaintiff or defendant.

**I. Risk Management**

The Council is exposed to various risks of loss related to torts, theft or damage, destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Council maintains coverage consistent with that of the Center.



**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

**J. Pension Plans**

***i. School Employees Retirement System***

Plan Description - The Council contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current Council rate is 14 percent of annual covered payroll. A portion of the Council's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 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 Council's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,634,250, \$2,452,707 and \$1,643,545, respectively; 100 percent has been contributed for each fiscal year.

***ii. State Teachers Retirement System of Ohio***

Plan Description - The Council 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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

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 fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Council was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Council's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,662,425, \$2,273,288 and \$1,214,519, respectively; 100 percent has been contributed for each fiscal year.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

**K. Postemployment Benefits**

*i. School Employees Retirement System*

Plan Description - The Council participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Council's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$298,139, \$184,031 and \$164,833, respectively; 100 percent has been contributed for each fiscal year.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY, OHIO**

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

**NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Council's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$152,827, \$138,550 and \$97,060, respectively; 100 percent has been contributed for each fiscal year.

**ii. State Teachers Retirement System of Ohio**

Plan Description - The Council contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Council's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$204,802, \$162,378 and \$112,777, respectively; 100 percent has been contributed for each fiscal year.

**L. Public Entity Shared Risk Pool**

Effective March 1, 2014, the Council is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts and other entities whose self-insurance programs for health care benefits were administered previously under the Scioto county Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The four merging plans will operate as divisions, providing local separation of assets and decision making for issues, such as plan design, rates, reserve management, etc. The purpose for the merger is to enhance the independent survivability of the plan from state and federal control by significantly increasing the number of members served on a state-wide basis. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242. The risk of loss transfers to the Consortium once premiums are paid by the Council.

Prior to March 1, 2014, Council employees were covered under the Center's self-insurance plan for health and dental insurance, which is accounted for in an internal service fund on the Center's financial statements. The Council pays 80% of contributions and employees pay 20%.

**M. Subsequent Event**

Effective July 1, 2014 the Educational Council voted to transfer all of its operations to the Council and Center.

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Fund for the Improvement of Education	2014	84.215X	\$ 52,323	\$ 48,980
Rehabilitation Services Demonstration and Training Programs	2013	84.235E	38,741	31,884
Rehabilitation Services Demonstration and Training Programs	2014	84.235E	28,595	31,049
Total Rehabilitation Services Demonstration and Training Programs			<u>67,336</u>	<u>62,933</u>
<i>Passed Through the Ohio Department of Education:</i>				
Special Education - Grants to States	2013	84.027	122,531	215,053
Special Education - Grants to States	2014	84.027	2,131,114	2,265,635
Special Education - Preschool Grants	2013	84.173	56,731	55,938
Special Education - Preschool Grants	2014	84.173	62,714	62,714
Total Special Education Cluster			<u>2,373,090</u>	<u>2,599,340</u>
Special Education State Personnel Development	2013	84.323	-	126
Special Education State Personnel Development	2014	84.323	59,032	63,260
Total Special Education State Personnel Development			<u>59,032</u>	<u>63,386</u>
English Language Acquisition Grants	2013	84.365	10,476	10,924
English Language Acquisition Grants	2014	84.365	46,741	54,462
Total English Language Acquisition Grants			<u>57,217</u>	<u>65,386</u>
Improving Teacher Quality State Grants	2013	84.367	95,134	56,419
Improving Teacher Quality State Grants	2014	84.367	142,152	143,683
Total Improving Teacher Quality State Grants			<u>237,286</u>	<u>200,102</u>
Race to the Top - ARRA	2013	84.395	338,606	279,275
Race to the Top - ARRA	2014	84.395	679,609	817,801
Total Race to the Top Grants			<u>1,018,215</u>	<u>1,097,076</u>
Twenty-First Century Community Learning Centers	2014	84.287	139,732	162,553
<i>Total Passed Through the Ohio Department of Education</i>			<u>3,884,572</u>	<u>4,187,843</u>
<i>Passed Through Ohio Department of Health:</i>				
Special Education - Grants for Infants and Families with Disabilities, (Help Me Grow, Part C)	2014	84.181	1,391,245	1,267,358
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>5,395,476</b></u>	<u><b>5,567,114</b></u>
<b>Corporation for National and Community Service</b>				
<i>Passed Through Ohio Commission on Service and Volunteerism:</i>				
AmeriCorps	2013	94.006	59,495	63,528
AmeriCorps	2014	94.006	281,361	483,943
Total AmeriCorps			<u>340,856</u>	<u>547,471</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u><b>340,856</b></u>	<u><b>547,471</b></u>

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed through the Ohio Department of Job &amp; Family Services:</i>				
Refugee and Entrant Assistance Discretionary Grants	2013	93.576	127,965	127,965
Refugee and Entrant Assistance Discretionary Grants	2014	93.576	32,068	32,068
Total Refugee and Entrant Assistance Discretionary Grants			160,033	160,033
Social Services Block Grants	2013	93.667	-	1,212
<i>Total Passed through the Ohio Department of Job &amp; Family Services</i>			160,033	161,245
<i>Passed through the Ohio Department of Mental Health and Addiction Services:</i>				
Promoting Safe and Stable Families- Title IV, Part B, Section subpart 2	2013	93.556	50,753	134,535
Promoting Safe and Stable Families- Title IV, Part B, Section subpart 2	2014	93.556	180,627	180,627
Total Promoting Safe and Stable Families- Title IV, Part B, Section subpart 2			231,380	315,162
<i>Passed through the Ohio Department of Developmental Disabilities:</i>				
Maternal and Child Health Federal Consolidated Programs	2013	93.110	93,889	36,686
Maternal and Child Health Federal Consolidated Programs	2014	93.110	44,670	77,288
Total Maternal and Child Health Federal Consolidated Programs			138,559	113,974
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>529,972</b>	<b>590,381</b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>Passed through the Ohio Department of Developmental Disabilities:</i>				
WIA Adult Program	2012	17.258	-	1,147
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>-</b>	<b>1,147</b>
<b>TOTALS</b>			<b>\$ 6,266,304</b>	<b>\$ 6,706,113</b>

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

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – SUBRECIPIENTS**

The Center passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the Center reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Center has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require the Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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

Educational Service Center of Central Ohio  
Franklin County  
2080 Citygate Drive  
Columbus, Ohio 43219

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, its major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, (the Center) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 30, 2014.

***Internal Control Over Financial Reporting***

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

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

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635



***Compliance and Other Matters***

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

*Wilson, Shannon & Snow, Inc.*

Newark, Ohio  
December 30, 2014



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

Educational Service Center of Central Ohio  
Franklin County  
2080 Citygate Drive  
Columbus, Ohio 43219

To the Board of Directors:

***Report on Compliance for Each Major Federal Program***

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the Center's compliance for each of the Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Wilson, Shannon & Snow, Inc.*

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FAX (740) 345-5635

***Opinion on Each Major Federal Program***

In our opinion, the Educational Service Center of Central Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Wilson, Sherman & Sons, Inc.*

Newark, Ohio  
December 30, 2014

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other 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>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Program (list):</b>	Special Education Cluster/ CFDA #84.027 and #84.173  Race to the Top – ARRA/ CFDA #84.395  Special Education-Grants for Infants and Families with Disabilities (Help Me Grow, Part C)/CFDA #84.181  AmeriCorps/CFDA #94.006  Promoting Safe and Stable Families- Title IV, Part B, Section Subpart 2/CFDA #93.556
<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>	No

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY**

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

**JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance – Preparation of the Schedule of Federal Awards Receipts and Expenditures	Yes	N/A
2013-002	Noncompliance, Material Weakness – Cash Management issue related to advances not being expensed within 30 days.	Yes	N/A



# Dave Yost • Auditor of State

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO

FRANKLIN 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  
APRIL 16, 2015