

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

ALAN HUTCHINSON, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

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 Franklin County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 7, 2009

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EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Governing Board
Educational Service Center of Franklin County
2080 Citygate Drive
Columbus, OH 43219

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Franklin County, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Educational Service Center of Franklin County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center of Franklin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Franklin County, Franklin County, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

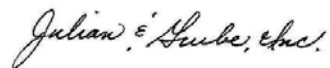
As disclosed in Note 3.B., the Center reported a prior period restatement due to fund reclassification at July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the Educational Service Center of Franklin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Educational Service Center of Franklin County
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Service Center of Franklin County's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Educational Service Center of Franklin County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
January 30, 2009

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

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

The management's discussion and analysis of the Educational Service Center of Franklin County's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- The Center restated beginning net assets as described in Note 3.B. In total, net assets of governmental activities increased \$1,036,889 which represents a 7.81% increase from 2007.
- General revenues accounted for \$4,154,499 in revenue or 9.45% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$39,809,425 or 90.55% of total revenues of \$43,963,924.
- The Center had \$42,927,035 in expenses related to governmental activities; \$39,809,425 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$4,154,499 were adequate to provide for these programs.
- The Center restated beginning fund balances as described in Note 3.B. The Center's major governmental funds include the general fund and the Title VI-B special revenue fund. The general fund had \$30,059,094 in revenues and other financing sources and \$29,317,626 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$741,468 from \$7,395,816 to \$8,137,284.
- The Title VI-B special revenue fund had \$5,308,668 in revenues and other financing sources and \$4,527,841 in expenditures and other financing uses. During fiscal year 2008, its fund balance increased \$780,827 from a deficit fund balance of \$202,440 to \$578,387.

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 assets* 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 and Title VI-B fund as major funds.

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

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

Reporting the Center as a Whole

Statement of Net Assets 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 2008?" The statement of net assets 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.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets 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 assets and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, and other operations.

The Center's statement of net assets 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 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 assets 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 District maintains only one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District has one internal service fund that accounts for a self-insurance program which provides health and dental benefits to. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

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

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

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 fiduciary net assets 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.

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 23-45 of this report.

The Center as a Whole

The statement of net assets provides the perspective of the Center as a whole.

The Center restated net assets as described in Note 3.B. The table below provides a summary of the Center's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities <u>2008</u>	Restated Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 17,798,819	\$ 17,269,786
Capital assets	<u>5,595,515</u>	<u>5,701,055</u>
Total assets	<u>23,394,334</u>	<u>22,970,841</u>
<u>Liabilities</u>		
Current liabilities	4,264,663	5,011,397
Long-term liabilities	<u>4,814,422</u>	<u>4,681,087</u>
Total liabilities	<u>9,079,085</u>	<u>9,692,484</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,053,105	2,201,055
Restricted	3,551,105	3,320,877
Unrestricted	<u>8,711,039</u>	<u>7,756,428</u>
Total net assets	<u>\$ 14,315,249</u>	<u>\$ 13,278,360</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Center's assets exceeded liabilities by \$14,315,249. Of this total, \$8,711,039 is unrestricted in use.

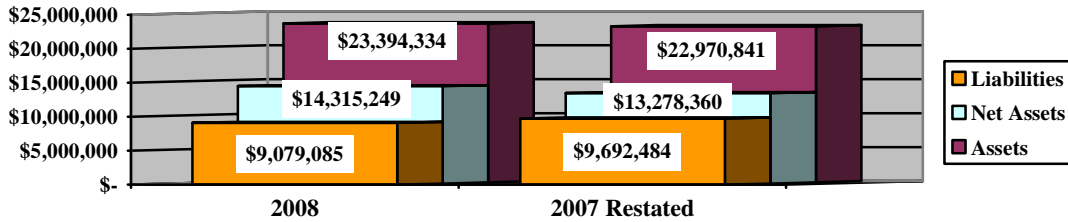
**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
FRANKLIN COUNTY, OHIO**

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

At year-end, capital assets represented 23.92% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. Capital assets, net of related debt at June 30, 2008, were \$2,053,105. These capital assets are used to provide the Center's services and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net assets, \$3,551,105, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$8,711,039 may be used to meet the Center's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and restated 2007.

	Change in Net Assets	
	Governmental Activities 2008	Restated Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 29,614,846	\$ 22,952,725
Operating grants and contributions	10,194,579	10,006,757
General revenues:		
Grants and entitlements	3,632,859	3,894,353
Investment earnings	390,122	514,574
Other	<u>131,518</u>	<u>73,152</u>
Total revenues	<u>\$ 43,963,924</u>	<u>\$ 37,441,561</u>

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

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

	Change in Net Assets	
	Governmental	Restated
	Activities	Governmental
	<u>2008</u>	<u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Special	\$ 399,725	\$ 142,073
Vocational	12,147,515	10,893,341
Other	429,099	232,465
Support services:		
Pupil	665,771	471,314
Instructional staff	16,593,124	14,886,616
Board of education	158,852	117,392
Administration	8,887,008	8,100,161
Fiscal	1,655,167	1,238,778
Business	260,984	259,002
Operations and maintenance	646,962	986,982
Pupil transportation	29,230	28,930
Central	884,267	546,943
Extracurricular	320	-
Interest and fiscal charges	<u>169,011</u>	<u>82,603</u>
Total expenses	<u>42,927,035</u>	<u>37,986,600</u>
Change in net assets	1,036,889	(545,039)
Net assets at beginning of year	<u>13,278,360</u>	<u>13,823,399</u>
Net assets at end of year	<u>\$ 14,315,249</u>	<u>\$ 13,278,360</u>

Governmental Activities

Net assets of the Center's governmental activities increased \$1,036,889 during fiscal year 2008. Total governmental expenses of \$42,927,035 were offset by program revenues of \$39,809,425 and general revenues of \$4,154,499. Program revenues supported 92.74% of the total governmental expenses.

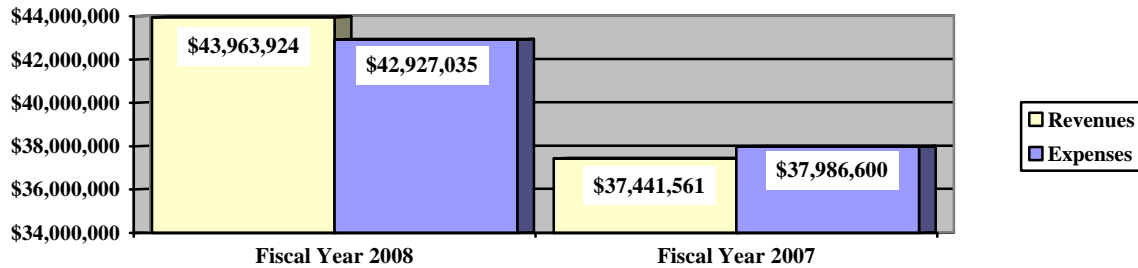
The primary sources of revenue for governmental activities are derived from tuition and contracted fees for services provided to other entities. This revenue source represents 67.36% of total governmental revenue.

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

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

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services 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>2008</u>	Net Cost of Services <u>2008</u>	Restated Total Cost of Services <u>2007</u>	Restated Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Special	\$ 399,725	\$ 6,776	\$ 142,073	\$ (104,138)
Vocational	12,147,515	590,334	10,893,341	169,500
Other	429,099	429,099	232,465	232,465
Support services:				
Pupil	665,771	460,630	471,314	91,111
Instructional staff	16,593,124	589,798	14,886,616	842,827
Board of education	158,852	158,852	117,392	117,392
Administration	8,887,008	80,885	8,100,161	1,959,911
Fiscal	1,655,167	28,651	1,238,778	705,084
Business	260,984	14,823	259,002	(207,803)
Operations and maintenance	646,962	353,331	986,982	622,210
Pupil transportation	29,230	29,230	28,930	28,930
Central	884,267	205,870	546,943	487,026
Extracurricular	320	320	-	-
Interest and fiscal charges	169,011	169,011	82,603	82,603
Total expenses	<u>\$ 42,927,035</u>	<u>\$ 3,117,610</u>	<u>\$ 37,986,600</u>	<u>\$ 5,027,118</u>

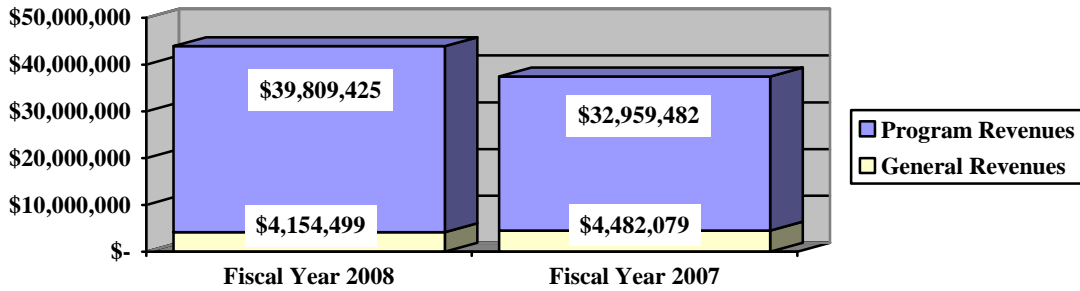
For all governmental activities, program revenue support is 92.74% at June 30, 2008 and 86.77% at June 30, 2007. The primary support of the Center is contracted fees for services provided to other districts.

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

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

The graph below presents the Center's governmental activities revenue for fiscal year 2008 and 2007.

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 \$11,137,476, which is higher than last year's total of \$9,228,140 as restated in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Restated Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>
General	\$ 8,137,284	\$ 7,395,816	\$ 741,468
Title VI-B	578,387	(202,440)	780,827
Other Governmental	<u>2,421,805</u>	<u>2,034,764</u>	<u>387,041</u>
Total	<u>\$ 11,137,476</u>	<u>\$ 9,228,140</u>	<u>\$ 1,909,336</u>

General Fund

The Center's general fund balance increased in fiscal year 2008 by \$741,468. The increase in fund balance can be attributed to an increase in tuition revenue and a decrease in facilities acquisition and construction expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

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

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Tuition	\$ 14,750,587	\$ 11,283,587	30.73 %
Customer services	10,980,183	10,932,213	0.44 %
Earnings on investments	379,679	514,574	(26.21) %
Intergovernmental	3,632,859	3,894,353	(6.71) %
Other revenues	<u>131,518</u>	<u>211,395</u>	(37.79) %
Total	<u>\$ 29,874,826</u>	<u>\$ 26,836,122</u>	11.32 %
<u>Expenditures</u>			
Instruction	\$ 11,111,220	\$ 10,684,252	4.00 %
Support services	17,759,792	16,123,943	10.15 %
Facilities acquisition and construction	66,170	3,503,318	(98.11) %
Debt service	<u>322,169</u>	<u>-</u>	100.00 %
Total	<u>\$ 29,259,351</u>	<u>\$ 30,311,513</u>	(3.47) %

Tuition revenues increased due to more revenues received from the local and city school districts the Center serves. Earnings on investments decreased as a result of lower interest rates. The increase in instruction and support services is due to overall increasing wage and benefits expenditures. The decrease in facilities acquisition and construction is due to the Center entering into a lease purchase agreement in 2007. Debt service expenditures increased as the Center began making lease payments on the new office building in fiscal year 2008.

Title VI-B Fund

During fiscal year 2008, the Title VI-B fund balance increased \$780,827. The increase in fund balance can be attributed to a decrease of administration expenditures during the year and an increase in grant revenues received by fiscal year-end that in 2007 were reported as deferred revenue. Revenues and other financing sources totaled \$5,308,668 and expenditures totaled \$4,527,841 during fiscal year 2008.

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

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

Capital Assets and Debt Administration

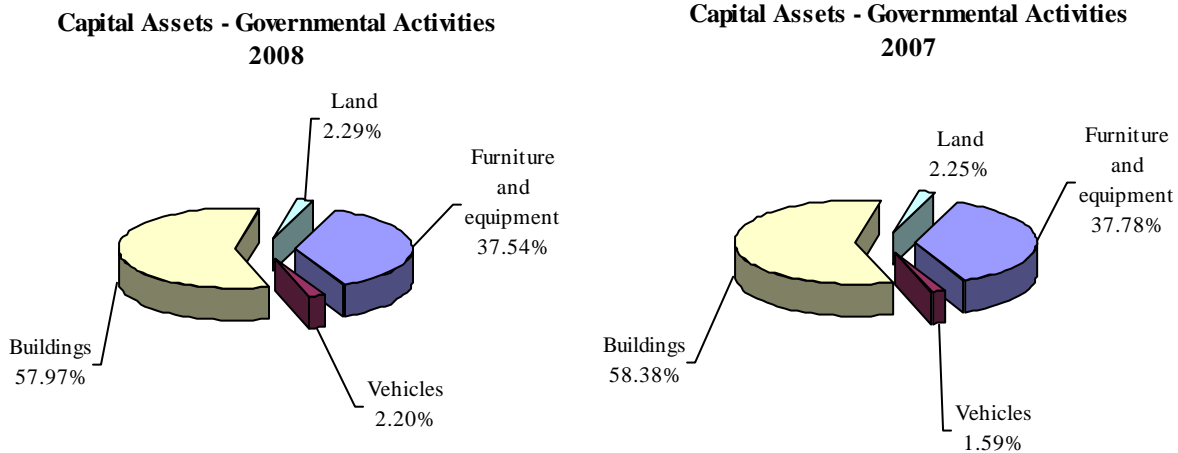
Capital Assets

At the end of fiscal year 2008, the Center had \$5,595,515 invested in land, buildings, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 128,300	\$ 128,300
Buildings	3,243,657	3,327,950
Furniture and equipment	2,100,485	2,153,935
Vehicles	<u>123,073</u>	<u>90,870</u>
Total	<u>\$ 5,595,515</u>	<u>\$ 5,701,055</u>

Total additions to capital assets for 2008 were \$456,878. A total of \$557,939 in depreciation expense was recognized and disposals were \$4,479 (net of accumulated depreciation) for fiscal year 2008.

The graphs below present the Center's capital assets for fiscal years 2008 and 2007.



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

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

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

Debt Administration

At June 30, 2008 the Center had \$3,542,410 in a lease purchase and capital lease agreement outstanding. Of this total, \$229,544 is due within one year and \$3,312,866 is due within greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Lease Purchase Agreement	\$ 3,330,000	\$ 3,500,000
Capital lease obligations	<u>212,410</u>	<u>-</u>
Total	<u>\$ 3,542,410</u>	<u>\$ 3,500,000</u>

See Note 9 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 2008. 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 Franklin County.

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 need additional financial information should be directed to Mr. Alan Hutchinson, Treasurer, Educational Service Center of Franklin County, 2080 Citygate Dr., Columbus, Ohio 43219.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 11,593,808
Receivables:	
Accounts	53,015
Intergovernmental	5,963,241
Accrued interest	10,463
Prepayments	81,787
Loans	96,505
Capital assets:	
Land	128,300
Depreciable capital assets, net	5,467,215
Capital assets, net.	5,595,515
 Total assets.	 23,394,334
Liabilities:	
Accounts payable.	416,300
Accrued wages and benefits	2,706,229
Intergovernmental payable	686,186
Claims payable	444,241
Accrued interest payable	11,707
Long-term liabilities:	
Due within one year.	787,108
Due in more than one year	4,027,314
 Total liabilities	 9,079,085
Net Assets:	
Invested in capital assets, net of related debt.	2,053,105
Restricted for:	
Capital projects	676,703
State funded programs	1,066,020
Federally funded programs	1,804,567
Public school support.	3,815
Unrestricted.	8,711,039
 Total net assets	 \$ 14,315,249

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 399,725	\$ 270,318	\$ 122,631	\$ (6,776)
Special	12,147,515	10,312,804	1,244,377	(590,334)
Vocational	429,099	-	-	(429,099)
Support services:				
Pupil.	665,771	73,082	132,059	(460,630)
Instructional staff.	16,593,124	13,391,445	2,611,881	(589,798)
Board of education	158,852	-	-	(158,852)
Administration.	8,887,008	3,723,774	5,082,349	(80,885)
Fiscal.	1,655,167	919,855	706,661	(28,651)
Business.	260,984	246,161	-	(14,823)
Operations and maintenance	646,962	-	293,631	(353,331)
Pupil transportation	29,230	-	-	(29,230)
Central.	884,267	677,407	990	(205,870)
Extracurricular activities	320	-	-	(320)
Interest and fiscal charges	169,011	-	-	(169,011)
Total governmental activities	<u>\$ 42,927,035</u>	<u>\$ 29,614,846</u>	<u>\$ 10,194,579</u>	<u>(3,117,610)</u>
General Revenues:				
Grants and entitlements not restricted to specific programs				3,632,859
Investment earnings				390,122
Miscellaneous				<u>131,518</u>
Total general revenues.				<u>4,154,499</u>
Change in net assets				1,036,889
Net assets at beginning of year (restated)				<u>13,278,360</u>
Net assets at end of year.				<u>\$ 14,315,249</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Title VI-B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 8,164,384	\$ 243,335	\$ 2,379,542	\$ 10,787,261
Receivables:				
Accounts	199	-	52,816	53,015
Intergovernmental	3,152,492	1,428,445	1,382,304	5,963,241
Accrued interest	10,463	-	-	10,463
Interfund loans	567,757	-	-	567,757
Due from other funds	349,788	-	-	349,788
Prepayments	53,405	14,293	14,089	81,787
Loans	96,505	-	-	96,505
Total assets	<u>\$ 12,394,993</u>	<u>\$ 1,686,073</u>	<u>\$ 3,828,751</u>	<u>\$ 17,909,817</u>
Liabilities:				
Accounts payable	\$ 154,005	\$ 87,663	\$ 174,632	\$ 416,300
Accrued wages and benefits	2,399,734	152,863	153,632	2,706,229
Compensated absences payable	10,629	1,871	4,678	17,178
Intergovernmental payable	566,810	50,369	69,007	686,186
Interfund loan payable	-	-	567,757	567,757
Due to other funds	-	-	349,788	349,788
Deferred revenue	1,126,531	814,920	87,452	2,028,903
Total liabilities	<u>4,257,709</u>	<u>1,107,686</u>	<u>1,406,946</u>	<u>6,772,341</u>
Fund Balances:				
Reserved for encumbrances	461,656	369,840	1,037,670	1,869,166
Reserved for prepayments	53,405	14,293	14,089	81,787
Unreserved, undesignated, reported in:				
General fund	7,622,223	-	-	7,622,223
Special revenue funds	-	194,254	693,343	887,597
Capital projects funds	-	-	676,703	676,703
Total fund balances	<u>8,137,284</u>	<u>578,387</u>	<u>2,421,805</u>	<u>11,137,476</u>
Total liabilities and fund balances	<u>\$ 12,394,993</u>	<u>\$ 1,686,073</u>	<u>\$ 3,828,751</u>	<u>\$ 17,909,817</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 11,137,476
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,595,515
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Tuition and customer services	1,116,068	
Intergovernmental	902,372	
Accrued interest receivable	10,463	
Total		2,028,903
Internal service funds are used by management to charge the costs of insurance to individual funds. The assts and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.		362,306
In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, interest is expensed when due.		(11,707)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,254,834)	
Capital lease obligation	(212,410)	
Lease purchase agreement	(3,330,000)	
Total		(4,797,244)
Net assets of governmental activities		\$ 14,315,249

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Title VI-B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Tuition.	\$ 14,750,587	\$ -	\$ -	\$ 14,750,587
Customer services.	10,980,183	-	3,143,839	14,124,022
Earnings on investments.	379,659	-	-	379,659
Rental income.	90,040	-	-	90,040
Other local revenues.	41,478	-	2,400	43,878
Other revenue.	-	-	40,413	40,413
Intergovernmental - State.	3,632,859	-	2,826,906	6,459,765
Intergovernmental - Federal.	-	5,040,004	3,255,712	8,295,716
Total revenue.	<u>29,874,806</u>	<u>5,040,004</u>	<u>9,269,270</u>	<u>44,184,080</u>
Expenditures:				
Current:				
Instruction:				
Regular.	15,213	-	361,976	377,189
Special.	10,675,336	16,944	1,328,537	12,020,817
Vocational.	420,671	-	-	420,671
Support services:				
Pupil.	458,784	-	191,201	649,985
Instructional staff.	13,295,763	1,005,902	2,132,052	16,433,717
Board of education.	158,852	-	-	158,852
Administration.	1,851,221	2,726,058	4,004,375	8,581,654
Fiscal.	804,707	194,799	653,047	1,652,553
Business.	256,086	-	-	256,086
Operations and maintenance.	253,983	254,283	6,831	515,097
Pupil transportation.	26,229	-	-	26,229
Central.	654,167	-	71,430	725,597
Extracurricular activities.	-	-	320	320
Facilities acquisition and construction.	66,170	-	-	66,170
Capital outlay.	-	261,917	-	261,917
Debt service:				
Principal retirement.	170,000	49,507	-	219,507
Interest and fiscal charges.	152,169	18,131	-	170,300
Total expenditures.	<u>29,259,351</u>	<u>4,527,541</u>	<u>8,749,769</u>	<u>42,536,661</u>
Excess of revenues over expenditures.	<u>615,455</u>	<u>512,463</u>	<u>519,501</u>	<u>1,647,419</u>
Other financing sources (uses):				
Transfers in.	184,288	6,747	69,546	260,581
Transfers (out).	(58,275)	(300)	(202,006)	(260,581)
Capital lease transaction.	-	261,917	-	261,917
Total other financing sources (uses).	<u>126,013</u>	<u>268,364</u>	<u>(132,460)</u>	<u>261,917</u>
Net change in fund balances.	741,468	780,827	387,041	1,909,336
Fund balances (deficit) at beginning of year (restated).	<u>7,395,816</u>	<u>(202,440)</u>	<u>2,034,764</u>	<u>9,228,140</u>
Fund balances at end of year.	<u>\$ 8,137,284</u>	<u>\$ 578,387</u>	<u>\$ 2,421,805</u>	<u>\$ 11,137,476</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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, 2008

Net change in fund balances - total governmental funds	\$	1,909,336
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	456,878	
Current year depreciation	(557,939)	
Total		(101,061)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.</p>		
		(4,479)
<p>Proceeds of capital lease transactions are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement of net assets.</p>		
		(261,917)
<p>Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		219,507
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Tuition and customer services	740,187	
Intergovernmental revenue	(970,806)	
Earnings on investments	10,463	
Total		(220,156)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		(431,883)
<p>In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		1,289
<p>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.</p>		
		(73,747)
Change in net assets of governmental activities	\$	1,036,889

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 806,547
Total assets	806,547
Liabilities:	
Claims payable	444,241
Total liabilities	444,241
Net assets:	
Unrestricted	362,306
Total net assets	\$ 362,306

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
	<hr/>
Operating revenues:	
Charges for services	\$ 5,609,801
Total operating revenues	<hr/> 5,609,801 <hr/>
Operating expenses:	
Claims.	<hr/> 6,041,684
Total operating expenses	<hr/> 6,041,684 <hr/>
Operating loss/change in net assets	(431,883)
Net assets at beginning of year (restated). .	794,189
Net assets at end of year	<hr/> \$ 362,306 <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 5,609,801
Cash payments for claims	<u>(6,033,593)</u>
Net cash used in operating activities	<u>(423,792)</u>
Net decrease in cash and cash equivalents	(423,792)
Cash and cash equivalents at beginning of year (restated)	<u>1,230,339</u>
Cash and cash equivalents at end of year.	<u><u>\$ 806,547</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (431,883)
Changes in assets and liabilities:	
Increase in claims payable.	<u>8,091</u>
Net cash used in operating activities	<u><u>\$ (423,792)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,214,160
Receivables:	
Accounts	70,590
Intergovernmental	1,065,862
Prepayments	7,752
Total assets.	\$ 2,358,364
Liabilities:	
Accounts payable.	\$ 419,533
Accrued wages and benefits	150,816
Compensated absences payable	9,012
Intergovernmental payable	1,682,498
Loans payable.	96,505
Total liabilities	\$ 2,358,364

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE CENTER

The Educational Service Center of Franklin County (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 over 89,204 students and other community members in Franklin County.

The Center provides services in the area of special education classes, supervision, administration, fiscal and other needed services to four local school Centers in Franklin County and also has city/county agreements with nine city school Centers. In addition, the Center provides contracted services to eleven school Centers and fiscal services for various state and local agencies such as the Central Ohio Special Education Regional Resource Center, Ohio Department of Education projects, Ohio Coalition of Children with Disabilities and the Catholic Diocese.

The Center serves local school Centers: Canal Winchester Local School Center, Groveport Madison Local School Center, Hamilton Local School Center, New Albany/Plain Local School Center and city school Centers as provided by S.B. 140, O.R.C. Section 3313.483. Other school Centers outside Franklin County are served on an individual contract basis for various services.

The Center is located in Columbus, Ohio and is staffed by 41 administrators, 222 certified and 435 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". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Center are not misleading. 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.

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

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

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

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 have access to 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. Based upon the application of this criteria, the Center has no component units. The basic financial statements of the reporting entity include only those of the Center (the primary government). 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".

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 Centers 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 Centers and the Center. School Centers and educational service centers outside of Franklin County are associate members and each county selects a single Center 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.

B. Fund Accounting

The Center uses funds to maintain its financial records during the 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 is reported as fund balance.

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

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

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

The following are the Center's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Title VI-B Fund - The Title VI-B is used to account for Federal monies which assist States in the identification of handicapped children, and provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

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

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 fund - The internal service fund is 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 fund of the Center accounts for a self-insurance program which provides medical benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are 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 assets 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.

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

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

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

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. 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 and enterprise 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 current liabilities, 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 revenues 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.

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

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

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

Revenues - Exchange and Non-exchange 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. 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

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. 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.

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

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

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 2008. 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 Investments

To improve cash management, cash received by the Center is pooled in a central bank account. 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 2008, investments were limited to investments in the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exception: investment contracts that had a remaining maturity of one year or less at the time of purchase are reported at amortized cost.

The Center has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$379,659, which includes \$132,534 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 assets, 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.

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

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

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>	<u>Governmental Activities Estimated Lives</u>
Building	40 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 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 at termination or retirement.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008 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.

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 Reserves

The Center reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and prepayments.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

M. 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.

N. 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.

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

O. 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.

P. Interfund Balances

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

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

Q. 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. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the Center has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Center; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Center.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Center.

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassification and Restatement of Fund Balances/Net Assets

A restatement of fund balances and net assets is required to reclassify certain funds to better reflect the purpose of the funds. The Leadership Academy fund, previously reported as a nonmajor internal service fund, has been reclassified as a component of the general fund. In addition, certain funds have been reclassified between special revenue and agency funds in order to properly report the funds in which the Center acts in the capacity of fiscal agent as agency funds. These fund reclassifications had the following effect on the Center's governmental fund balances and net assets as previously reported:

	<u>General</u>	<u>Title VI-B</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance at June 30, 2007	\$ 7,378,145	\$ 19,477	\$ 1,962,616	\$ 9,360,238
Adjustment for fund reclassifications	17,671	(221,917)	72,148	(132,098)
Restated fund balance at July 1, 2007	\$ 7,395,816	\$ (202,440)	\$ 2,034,764	\$ 9,228,140

	<u>Governmental Activities</u>	<u>Internal Service</u>
Net assets as at June 30, 2007	\$ 13,602,739	\$ 811,860
Adjustment for fund reclassifications	(324,379)	(17,671)
Restated net assets at July 1, 2007	\$ 13,278,360	\$ 794,189

As a result of the reclassification of the Leadership Academy fund, which was previously a nonmajor internal service fund, in the statement of cash flows, the beginning cash and cash equivalents of the nonmajor internal service fund has been restated from \$1,256,002 at June 30, 2007 to \$1,230,339 at July 1, 2007.

C. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Refugee childrens school	\$ 10,853
Title I	458

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 results from adjustments for accrued liabilities.

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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;
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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 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."

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all Center deposits was \$12,498,955. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$14,607,770 of the Center's bank balance of \$15,107,770 was exposed to custodial risk as discussed below, while \$500,000 was covered by the Federal Deposit Insurance Corporation.

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, 2008, the Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 308,263	\$ 308,263

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 service rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 308,263	<u>100%</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,498,955
Investments	308,263
Cash on hand	<u>750</u>
Total	<u>\$ 12,807,968</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 11,593,808
Agency funds	<u>1,214,160</u>
Total	<u>\$ 12,807,968</u>

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual short-term interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 567,757

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. All interfund balances are expected to be repaid within one year.

- B. Interfund balances at June 30, 2008 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 fund	Nonmajor governmental funds	\$ 349,788

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. Effective April 1, 2007, district's may maintain a negative cash balance if two criteria are met: (1) general fund must have available funds to cover negative; (2) a reimbursement request must have been submitted. The Center met these two requirements. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

- C. Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>		<u>Amount</u>
Title VI-B		\$ 6,747
Nonmajor governmental funds		<u>51,528</u>
		<u>58,275</u>
 <u>Transfers from Title VI-B fund to:</u>		
General fund		300
 <u>Transfers from nonmajor governmental funds to:</u>		
General fund		183,988
Nonmajor governmental funds		<u>18,018</u>
		<u>202,006</u>

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. The purpose of the transfers to the general fund was for residual equity transfers to close out various grant funds.

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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	Agency	\$ 96,505

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008 consisted of intergovernmental (billings to school Centers for user charged services), accounts (charges for individual tuition on other services) and accrued interest. All receivables are considered collectible in full. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Accounts	\$ 53,015
Intergovernmental	5,963,241
Accrued interest	10,643

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
<i>Capital assets, being depreciated:</i>				
Land	\$ 128,300	\$ -	\$ -	\$ 128,300
Buildings	3,371,700	-	-	3,371,700
Furniture and equipment	4,230,399	399,742	(37,408)	4,592,733
Vehicles	234,647	57,136	(18,030)	273,753
Total capital assets, being depreciated	<u>7,965,046</u>	<u>456,878</u>	<u>(55,438)</u>	<u>8,366,486</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(43,750)	(84,293)	-	(128,043)
Furniture and equipment	(2,076,464)	(450,516)	34,732	(2,492,248)
Vehicles	(143,777)	(23,130)	16,227	(150,680)
Total accumulated depreciation	<u>(2,263,991)</u>	<u>(557,939)</u>	<u>50,959</u>	<u>(2,770,971)</u>
Governmental activities capital assets, net	<u>\$ 5,701,055</u>	<u>\$ (101,061)</u>	<u>\$ (4,479)</u>	<u>\$ 5,595,515</u>

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Special	\$ 104,246
<u>Support services:</u>	
Instructional staff	21,892
Administration	155,848
Fiscal	3,529
Business	9,113
Operations and maintenance	72,577
Pupil transportation	3,001
Central	<u>187,733</u>
Accumulated depreciation	<u>\$ 557,939</u>

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, 2008, capital assets acquired by lease purchase have been capitalized under land and buildings in the amount of \$128,300 and \$3,371,700, respectively. Accumulated depreciation on buildings as of June 30, 2008 was \$128,043 leaving a current book value of \$3,243,657. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2008 totaled \$170,000 and \$152,169, 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, 2008.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2009	\$ 321,438
2010	321,373
2011	320,951
2012	321,151
2013	320,949
2014 - 2018	1,596,266
2019 - 2022	<u>1,269,475</u>
Total minimum lease payments	4,471,603
Less: amount representing interest	<u>(1,141,603)</u>
Present value of minimum lease payments	<u>\$ 3,330,000</u>

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

B. Capital Lease Agreement

In the current year the Center entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$261,917. 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. Principal payments in fiscal year 2008 totaled \$49,507 paid by the Title VI-B fund.

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, 2008:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2009	\$ 67,639
2010	67,638
2011	67,638
2012	<u>43,146</u>
Total minimum lease payment	246,061
Less: amount representing interest	<u>(33,651)</u>
Present value of minimum lease payments	<u>\$ 212,410</u>

NOTE 9 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>Outstanding</u> <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Outstanding</u> <u>06/30/08</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 1,181,087	\$ 605,508	\$ (514,583)	\$ 1,272,012	\$ 557,564
Capital lease	-	261,917	(49,507)	212,410	52,544
Lease purchase agreement	<u>3,500,000</u>	<u>-</u>	<u>(170,000)</u>	<u>3,330,000</u>	<u>177,000</u>
Total long-term obligations	<u>\$ 4,681,087</u>	<u>\$ 867,425</u>	<u>\$ (734,090)</u>	<u>\$ 4,814,422</u>	<u>\$ 787,108</u>

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

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

The Center maintains replacement cost insurance on building contents in the amount of \$1,000,000 with supplemental coverage for computers and classroom equipment in the amount of \$1,000,000. 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 years. There has been a significant decrease in coverage for buildings and contents of 55 percent. There has been no significant reduction in other coverage.

B. Workers' Compensation Liability-Public Entity Risk Pool

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school Centers and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school Centers and educational service centers is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Participation in the GRP is limited to school Centers and educational service centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

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

NOTE 10 - RISK MANAGEMENT - (Continued)

C. Health and Dental Insurance

The Center has established a self-insurance fund for health and dental insurance. Claims are administered by a third party administrator, Polaris Benefit Administrators. The Center pays 80% of contributions and employees pay 20%. These amounts are deposited monthly by check from the general fund, special revenue funds, and other agency funds in an account held by the Center. Expenses for claims are recorded as other expenses when claims are approved and paid. For internal control, check registers are submitted to the Treasurer weekly for approval. A monthly check register is e-mailed to the Treasurer. Canceled checks are received by the Treasurer's office and fiscal staff reconciles the bank statements.

A summary of changes in self-insurance claims:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Balance</u> <u>June 30, 2007</u>
Claims liability at beginning of year	\$ 436,150	\$ 393,499
Incurred claims	6,041,684	4,119,402
Claims paid	<u>(6,033,593)</u>	<u>(4,076,751)</u>
Claims liability at end of year	<u>\$ 444,241</u>	<u>\$ 436,150</u>

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, Deputy Superintendent, Treasurer and Directors receive twenty 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 Service</u>	<u>Vacation Days</u>
1 - 9	10
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 (30) days for employees with less than eight years of service and a maximum of fifty (50) days for employees with eight years or more of service.

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

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

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,199,479, \$1,188,161 and \$959,193, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

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 Web site at www.strsoh.org.

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

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

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

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 2008, plan members were required to contribute 10 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 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,640,667, \$1,546,632, and \$1,473,812, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$44,834 made by the Center and \$72,812 made by the plan members.

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, 2008, certain members of the Board of Education have elected Social Security. The District'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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The Center's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$727,298, \$541,745, and \$506,955, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$86,425, \$80,795, and \$76,344, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

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 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 2008, 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, 2008, 2007, and 2006 were \$126,205, \$118,972, and \$113,370, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

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 Centers to which the Center provided services and by the State Department of Education. Each school Center's portion is determined by multiplying the average daily membership of the school Center (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school Center'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 Center's 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 Centers 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 Centers 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 Centers approve or disapprove the additional apportionment.

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

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

NOTE 15 - OPERATING LEASE - LESSEE DISCLOSURE

On May 21, 2007, 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 60 months commencing September 1, 2007, and ending on August 31, 2012. 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	\$ 44,526	\$ 3,711
2	45,639	3,803
3	46,780	3,898
4	47,950	3,996
5	49,149	4,096

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 will not have a material effect on the financial position of the Center.

B. Litigation

The Center is not a party to legal proceedings that would have a material effect, if any, on the financial condition of the Center.

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

Effective January 1, 2009, the Educational Service Center of Franklin County and the Delaware-Union Educational Service Center merged to form the Educational Service Center of Central Ohio.

SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(C) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH OHIO DEPARTMENT OF EDUCATION				
Special Education Cluster:				
(B) Special Education_Grants to States	84.027	2006	\$ -	\$ 2,948
(B) Special Education_Grants to States	84.027	2006	4,469	-
(B) Special Education_Grants to States	84.027	2006	18,946	36,577
(B) Special Education_Grants to States	84.027	2007	490,413	545,276
(B) Special Education_Grants to States	84.027	2007	708,738	578,541
(B) Special Education_Grants to States	84.027	2008	1,519,770	1,607,100
(B) Special Education_Grants to States	84.027	2008	1,496,286	1,347,361
(B) Special Education_Grants to States	84.027	2008	184,225	177,619
Total Special Education _Grants to States			<u>4,422,847</u>	<u>4,295,422</u>
(B) Special Education_Preschool Grants	84.173	2007	12,937	9,369
(B) Special Education_Preschool Grants	84.173	2007	70,931	60,599
(B) Special Education_Preschool Grants	84.173	2008	40,962	43,928
Total Special Education_Preschool Grants			<u>124,830</u>	<u>113,896</u>
Total Special Education Cluster			<u>4,547,677</u>	<u>4,409,318</u>
(D) Fund for the Improvement of Education	84.215	N/A	115,028	91,273
(D) Fund for the Improvement of Education	84.215	N/A	142,760	218,658
Total Fund for the Improvement of Education			<u>257,788</u>	<u>309,931</u>
State Grants for Innovative Programs	84.298	2007	458	530
State Grants for Innovative Programs	84.298	2007	-	14,065
State Grants for Innovative Programs	84.298	2007	3,638	360
State Grants for Innovative Programs	84.298	2008	40,413	15,125
Total State Grants for Innovative Programs			<u>44,509</u>	<u>30,080</u>
Special Education - State Personnel Development	84.323	2005	61,487	37,060
Special Education - State Personnel Development	84.323	2007	9,375	88,416
Special Education - State Personnel Development	84.323	2008	5,009	-
Total Special Education - State Personnel Development			<u>75,871</u>	<u>125,476</u>
Research in Special Education	84.324	2008	-	12,590
Total Research in Special Education			<u>-</u>	<u>12,590</u>
English Language Acquisition Grants	84.365	2007	14,272	2,670
English Language Acquisition Grants	84.365	2008	42,496	37,415
Total English Language Acquisition Grants			<u>56,768</u>	<u>40,085</u>
Total U.S. Department of Education			<u>4,982,613</u>	<u>4,927,480</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH FRANKLIN COUNTY JOB AND FAMILY SERVICES				
Temporary Assistance for Needy Families	93.558	2008	1,874,423	1,431,411
Total Temporary Assistance for Needy Families			<u>1,874,423</u>	<u>1,431,411</u>
Total U.S. Department of Health and Human Services			<u>1,874,423</u>	<u>1,431,411</u>
Total Federal Financial Assistance			<u>\$ 6,857,036</u>	<u>\$ 6,358,891</u>

(A) This schedule was prepared on the cash basis of accounting.

(B) Included as part of "Special Education Grant Cluster" in determining major programs.

(C) OAKS did not assign pass-through numbers for fiscal year 2008.

(D) The fund for the Improvement of Education is a direct award.



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Governing Board
Educational Service Center of Franklin County
2080 Citygate Drive
Columbus, OH 43219

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Franklin County, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Educational Service Center of Franklin County's basic financial statements and have issued our report thereon dated January 30, 2009. As disclosed in Note 3.B., the Center reported a prior period restatement due to fund reclassifications at July 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center of Franklin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Educational Service Center of Franklin County's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Educational Service Center of Franklin County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Educational Service Center of Franklin County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Educational Service Center of Franklin County's financial statements that is more than inconsequential will not be prevented or detected by the Educational Service Center of Franklin County's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2008-ESFC-001 and 2008-ESFC-002 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Educational Service Center of Franklin County's internal control.

Governing Board
Educational Service Center of Franklin County

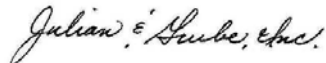
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Educational Service Center of Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Educational Service Center of Franklin County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Educational Service Center of Franklin County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and the Governing Board of the Educational Service Center of Franklin County and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
January 30, 2009



Julian & Grube, Inc. *Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Compliance With Requirements Applicable to Its Major Programs and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Governing Board
Educational Service Center of Franklin County
2080 Citygate Drive
Columbus, OH 43219

Compliance

We have audited the compliance of the Educational Service Center of Franklin County, Franklin County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The Educational Service Center of Franklin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Educational Service Center of Franklin County's management. Our responsibility is to express an opinion on the Educational Service Center of Franklin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Educational Service Center of Franklin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Service Center of Franklin County's compliance with those requirements.

In our opinion, the Educational Service Center of Franklin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Educational Service Center of Franklin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Educational Service Center of Franklin County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Educational Service Center of Franklin County's internal control over compliance.

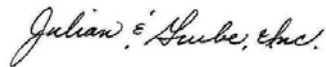
Governing Board
Educational Service Center of Franklin County

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Educational Service Center of Franklin County's internal control.

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

This report is intended for the information and use of management and Governing Board of the Educational Service Center of Franklin County and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
January 30, 2009

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

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Fund for the Improvement of Education (CFDA #84.215); and Temporary Assistance for Needy Families (CFDA #93.558)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

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

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-ESCFC-001

Significant Deficiency

The Center's audited financial report was required to be filed by December 31, 2008.

The Center's audited financial report was completed approximately one month subsequent to the due date. While the GAAP report was filed timely, the audit was submitted early in February 2009.

The lack of a timely audit report may inhibit the Center's users of the financials and management in obtaining information required to make some financial decisions.

We recommend the Center's management consider requesting their GAAP report be completed prior to the deadline in order to help provide management with adequate time to review in detail the statements and modify if necessary. We also recommend the Center consider changing its available period from sixty to thirty days if that better facilitates their activity flow of information.

Client's Response: The delay in timely filing of the financial report is due primarily to three contributing factors: (1) change in Treasurer during the fiscal year; (2) significant evaluation and reclassification of funds to be reported on the Center's financial statements and federal awards schedule; (3) significant Center's management time devoted to a merger with Delaware-Union Education Service Center effective January 1, 2009. The Center does not anticipate a delay in filing fiscal 2009 audit report.

Finding Number	2008-ESCFC-002
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Significant Deficiency

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One such control deficiency is audit adjustments.

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

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

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-ESCFC-002 - (Continued)

The following audit adjustments were necessary to properly present the financial statements:

Opinion Unit	Increase/ (Decrease)	Account	Amount
General	Increase	Intergovernmental Receivable	\$ 346,392
	Increase	Customer Service Revenue	304,432
	Increase	Deferred Revenue	41,960
Title VI-B	Increase	Intergovernmental Receivable	307,839
	Increase	Deferred Revenue	307,839
Aggregate Remaining	Increase	Intergovernmental Receivable	353,641
	Increase	Deferred Revenue	133,919
	Increase	Intergovernmental State Revenue	195,537
	Increase	Intergovernmental Federal Revenue	24,185
	Increase	Accounts Receivable	52,816
	Increase	Customer Service Revenue	52,816
	Decrease	Claims Payable	664,724

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed related to financial reporting that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditor to perform this control procedure as auditors must remain independent.

We recommend the Center consider implementing additional control procedures or modifying current control procedures related to financial reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response: The Center did conduct a more thorough review of its GAAP report, however due to time constraints regarding completion of the audit and additional time constraints placed on management due to other Center responsibilities (ie. the merger) the above adjustments were not able to be incorporated in a revised GAAP report and presented to the auditors. For fiscal 2009, the Center anticipates obtaining their GAAP report early in November enabling the Center's management to perform a more detailed thorough review of the GAAP report prior to submitting to Local Government Services and its auditors.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

**EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY
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
MAY 7, 2009**