

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

ALAN HUTCHINSON, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of Central Ohio, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Central Ohio is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2010

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EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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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 Central Ohio
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 Central Ohio, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Educational Service Center of Central Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center of Central Ohio'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.

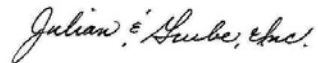
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio, as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009, on our consideration of the Educational Service Center of Central Ohio'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 Central Ohio
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Service Center of Central Ohio'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 Central Ohio. 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.
December 28, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The management's discussion and analysis of the Educational Service Center of Central Ohio's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- On 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. The transfer of fund balance and net assets of the Delaware-Union Educational Service Center at December 31, 2008 has been reported as a special item in the Center's statement of revenues, expenditures and changes in fund balances and in the statement of activities. In total, net assets of governmental activities increased \$4,923,402 which represents a 34.39% increase from 2008. Of this increase, \$1,196,679 was a special item as a result of the merger.
- General revenues accounted for \$5,109,349 in revenue or 8.71% of all revenues. The special item from the merger accounted for \$1,196,679 in revenue or 2.04%. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$52,372,249 or 89.25% of total revenues of \$58,678,277.
- The Center had \$53,754,875 in expenses related to governmental activities; \$52,372,249 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) and the special item revenue were adequate to provide for these programs.
- The Center's major governmental funds include the general fund, the Title VI-B special revenue fund and the miscellaneous federal grants special revenue fund. The general fund had \$48,242,516 in revenues, other financing sources and the special item from the merger, and \$41,758,498 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$6,484,018 from \$8,137,284 to \$14,621,302.
- The Title VI-B special revenue fund had \$4,254,880 in revenues and \$4,565,373 in expenditures. During fiscal year 2009, its fund balance decreased \$310,493 from \$578,387 to \$267,894.
- The miscellaneous federal grants special revenue fund had \$1,493,808 in revenues and \$2,102,842 in expenditures. During fiscal year 2009, its fund balance decreased \$609,034 from a balance of \$598,436 to a deficit of \$10,598.

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, Title VI-B fund and miscellaneous federal grants fund as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

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 2009?" 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 CENTRAL OHIO
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

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 23-48 of this report.

The Center as a Whole

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

On 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. The table below provides a summary of the Center's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 24,474,178	\$ 17,798,819
Capital assets	<u>5,836,529</u>	<u>5,595,515</u>
Total assets	<u>30,310,707</u>	<u>23,394,334</u>
<u>Liabilities</u>		
Current liabilities	5,858,051	4,264,663
Long-term liabilities	<u>5,214,005</u>	<u>4,814,422</u>
Total liabilities	<u>11,072,056</u>	<u>9,079,085</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,523,663	2,053,105
Restricted	2,588,889	3,551,105
Unrestricted	<u>14,126,099</u>	<u>8,711,039</u>
Total net assets	<u>\$ 19,238,651</u>	<u>\$ 14,315,249</u>

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

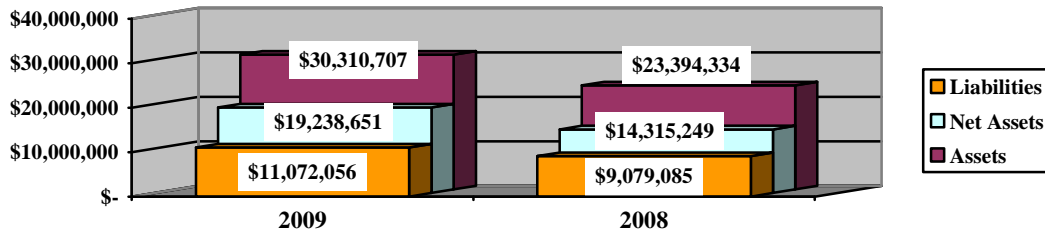
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Center's assets exceeded liabilities by \$19,238,651. Of this total, \$14,126,099 is unrestricted in use. The significant increase in assets, liabilities, and net assets is due to the merger of the Educational Service Center of Franklin County and the Delaware-Union Educational Service Center, along with current year operations during fiscal year 2009.

At year-end, capital assets represented 19.26% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. Capital assets, net of related debt at June 30, 2009, were \$2,523,663. 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, \$2,588,889, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$14,126,099 may be used to meet the Center's ongoing obligations to the customers.

Governmental Activities



The table below shows the change in net assets for fiscal year 2009 and 2008. The transfer of net assets of the Delaware-Union Educational Service Center at December 31, 2008 has been reported as a special item in the Center's statement of activities.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 41,730,856	\$ 29,614,846
Operating grants and contributions	10,641,393	10,194,579
General revenues:		
Grants and entitlements	4,560,256	3,632,859
Investment earnings	183,001	390,122
Other	<u>366,092</u>	<u>131,518</u>
Total revenues	\$ <u>57,481,598</u>	\$ <u>43,963,924</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 493,580	\$ 399,725
Special	14,630,501	12,147,515
Vocational	507,440	429,099
Support services:		
Pupil	2,791,348	665,771
Instructional staff	19,056,720	16,593,124
Board of education	81,161	158,852
Administration	10,813,723	8,887,008
Fiscal	2,469,813	1,655,167
Business	437,217	260,984
Operations and maintenance	656,126	646,962
Pupil transportation	36,919	29,230
Central	1,592,366	884,267
Operation of non-instructional services	580	-
Extracurricular	28,535	320
Interest and fiscal charges	<u>158,846</u>	<u>169,011</u>
Total expenses	<u>53,754,875</u>	<u>42,927,035</u>
Special item:		
Delaware-Union ESC net assets upon merger	<u>1,196,679</u>	<u>-</u>
Change in net assets	4,923,402	1,036,889
Net assets at beginning of year	<u>14,315,249</u>	<u>13,278,360</u>
Net assets at end of year	<u>\$ 19,238,651</u>	<u>\$ 14,315,249</u>

Governmental Activities

Net assets of the Center's governmental activities increased \$4,923,402 during fiscal year 2009. Of this increase, \$1,196,679 was a special item as a result of the merger. Total governmental expenses of \$53,754,875 were offset by program revenues of \$52,372,249 and general revenues of \$5,109,349. Program revenues supported 97.43% of the total governmental expenses.

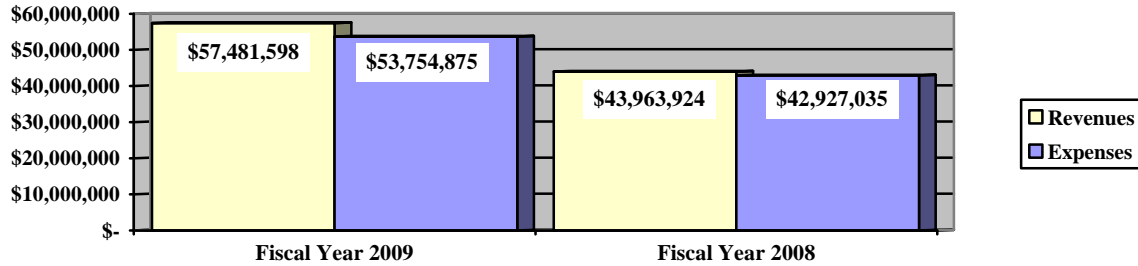
The primary sources of revenue for governmental activities are derived from tuition and contracted fees for services provided to other entities. This revenue source represents 71.12% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2009 and 2008.

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

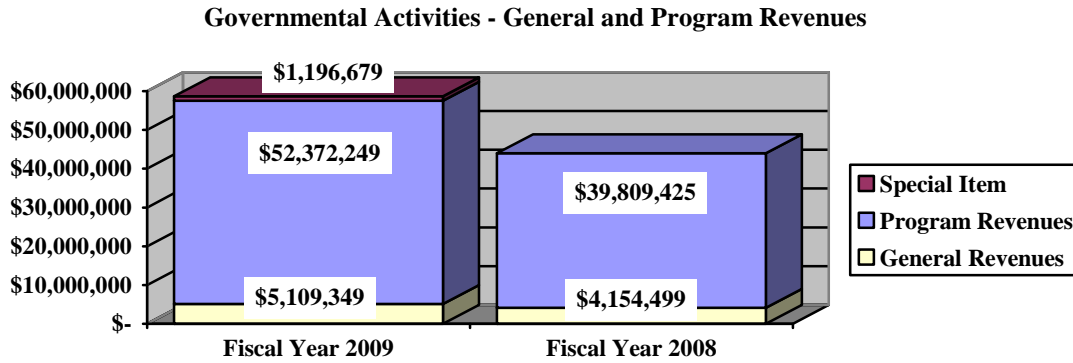
	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 493,580	\$ 373,698	\$ 399,725	\$ 6,776
Special	14,630,501	(286,782)	12,147,515	590,334
Vocational	507,440	4,124	429,099	429,099
Support services:				
Pupil	2,791,348	66,347	665,771	460,630
Instructional staff	19,056,720	376,140	16,593,124	589,798
Board of education	81,161	381	158,852	158,852
Administration	10,813,723	641,904	8,887,008	80,885
Fiscal	2,469,813	(89,743)	1,655,167	28,651
Business	437,217	4,824	260,984	14,823
Operations and maintenance	656,126	80,871	646,962	353,331
Pupil transportation	36,919	36,919	29,230	29,230
Central	1,592,366	(14,018)	884,267	205,870
Operation of non-instructional services	580	580	-	-
Extracurricular	28,535	28,535	320	320
Interest and fiscal charges	<u>158,846</u>	<u>158,846</u>	<u>169,011</u>	<u>169,011</u>
Total expenses	<u>\$ 53,754,875</u>	<u>\$ 1,382,626</u>	<u>\$ 42,927,035</u>	<u>\$ 3,117,610</u>

For all governmental activities, program revenue support is 97.43% at June 30, 2009 and 92.74% at June 30, 2008. The primary support of the Center is contracted fees for services provided to other districts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the Center's governmental activities revenue for fiscal year 2009 and 2008.



The Center's Funds

The Center's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$15,133,266, which is higher than last year's total of \$11,137,476. The transfer of fund balance of the Delaware-Union Educational Service Center at December 31, 2008 has been reported as a special item in the Center's statement of revenues, expenditures and changes in fund balances. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance (Deficit) <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase (Decrease)
General	\$ 14,621,302	\$ 8,137,284	\$ 6,484,018
Title VI-B	267,894	578,387	(310,493)
Miscellaneous Federal Grants	(10,598)	598,436	(609,034)
Other Governmental	<u>254,668</u>	<u>1,823,369</u>	<u>(1,568,701)</u>
Total	<u>\$ 15,133,266</u>	<u>\$ 11,137,476</u>	<u>\$ 3,995,790</u>

General Fund

The Center's general fund balance increased in fiscal year 2009 by \$6,484,018. Of this increase, \$1,649,918 was a special item as a result of the merger. The increase in fund balance can be attributed to an increase in tuition and customer services revenue. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Tuition	\$ 19,696,381	\$ 14,750,587	33.53 %
Customer services	21,260,219	10,980,183	93.62 %
Earnings on investments	161,133	379,679	(57.56) %
Intergovernmental	4,560,256	3,632,859	25.53 %
Other revenues	<u>913,858</u>	<u>131,518</u>	594.85 %
Total	<u>\$ 46,591,847</u>	<u>\$ 29,874,826</u>	55.96 %
<u>Expenditures</u>			
Instruction	\$ 13,861,459	\$ 11,111,220	24.75 %
Support services	27,546,526	17,759,792	55.11 %
Operation of non-instructional services	542	-	100.00 %
Extracurricular activities	28,533	-	100.00 %
Facilities acquisition and construction	-	66,170	(100.00) %
Debt service	<u>321,438</u>	<u>322,169</u>	(0.23) %
Total	<u>\$ 41,758,498</u>	<u>\$ 29,259,351</u>	42.72 %

Revenues increased due to the merger with the Delaware-Union ESC. Which means the Center now has more local and city school districts to serve. Earnings on investments decreased as a result of lower interest rates. The increase in instruction and support services is due to the merger and 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 2008. Debt service expenditures decreased as the Center began making lease payments on the new office building in fiscal year 2008.

Title VI-B Fund

During fiscal year 2009, the Title VI-B fund balance decreased \$310,493. The decrease in fund balance can be attributed to an increase of instructional staff expenditures during the year and a decrease in grant revenues received by fiscal year-end that in 2007 were reported as deferred revenue which increased 2008 grant revenues. Revenues totaled \$4,254,880 and expenditures totaled \$4,565,373 during fiscal year 2009.

Miscellaneous Federal Grants Fund

During fiscal year 2009, the miscellaneous federal grants fund balance decreased \$609,034. The decrease in fund balance can be attributed to a decrease in grant revenues received by fiscal year-end. Deferred grant revenues for 2009 are \$1,496,920. Revenues totaled \$1,493,808 and expenditures totaled \$2,102,842 during fiscal year 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Center had \$5,836,529 invested in land, buildings, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

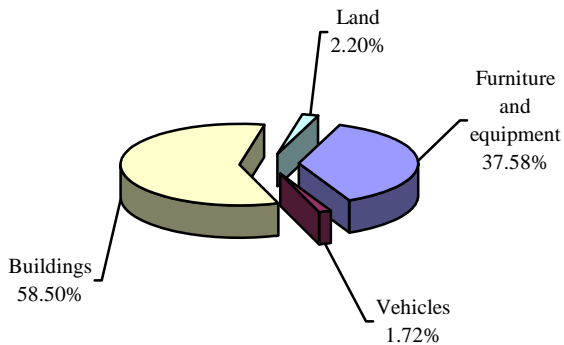
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 128,300	\$ 128,300
Buildings	3,414,317	3,243,657
Furniture and equipment	2,193,406	2,100,485
Vehicles	<u>100,506</u>	<u>123,073</u>
Total	<u>\$ 5,836,529</u>	<u>\$ 5,595,515</u>

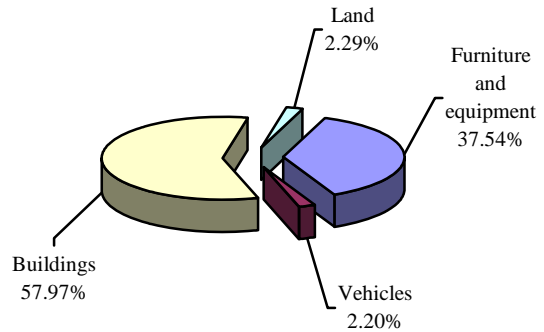
Total additions to capital assets for 2009 were \$802,193 and \$111,683 (net of accumulated depreciation) in assets from the Delaware-Union ESC merger. A total of \$647,141 in depreciation expense was recognized and disposals were \$25,721 (net of accumulated depreciation) for fiscal year 2009.

The graphs below present the Center's capital assets for fiscal years 2009 and 2008.

**Capital Assets - Governmental Activities
2009**



**Capital Assets - Governmental Activities
2008**



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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Debt Administration

At June 30, 2009 the Center had \$3,312,866 in a lease purchase and capital lease agreement outstanding. Of this total, \$241,905 is due within one year and \$3,070,961 is due within greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2009	Governmental Activities 2008
Lease Purchase Agreement	\$ 3,153,000	\$ 3,330,000
Capital lease obligations	159,866	212,410
Total	\$ 3,312,866	\$ 3,542,410

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 2009. The Governing Board has a permanent improvement fund to cover possible future office space needs or payment of office building rental, and future technology equipment needs. Legislative requirements for the development of Ohio Educational Regional Service System will have an impact on educational service centers in the future. At this time, it is impossible to determine what effect this legislation will have on the Educational Service Center of Central Ohio.

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 Central Ohio, 2080 Citygate Dr., Columbus, Ohio 43219.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 14,857,150
Cash with fiscal agent.	161,571
Receivables:	
Accounts	132,737
Intergovernmental	8,988,141
Accrued interest	35,097
Prepayments	198,684
Loans	100,798
Capital assets:	
Land	128,300
Depreciable capital assets, net	5,708,229
Capital assets, net.	5,836,529
 Total assets.	 30,310,707
Liabilities:	
Accounts payable.	540,191
Accrued wages and benefits	3,439,909
Intergovernmental payable	998,395
Claims payable	868,536
Accrued interest payable	11,020
Long-term liabilities:	
Due within one year.	914,324
Due in more than one year	4,299,681
 Total liabilities	 11,072,056
Net Assets:	
Invested in capital assets, net of related debt.	2,523,663
Restricted for:	
Capital projects	292,930
Locally funded programs	95,332
State funded programs	43,231
Federally funded programs	2,153,113
Student activities	190
Public school support.	4,093
Unrestricted.	14,126,099
 Total net assets	 \$ 19,238,651

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Title VI-B</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 13,267,884	\$ -	\$ -	\$ 543,106	\$ 13,810,990
Receivables:					
Accounts	132,737	-	-	-	132,737
Intergovernmental	4,606,428	2,072,548	1,947,511	361,654	8,988,141
Accrued interest	35,097	-	-	-	35,097
Interfund loans	4,889	-	-	-	4,889
Due from other funds	1,902,208	-	-	-	1,902,208
Prepayments	170,325	4,174	1,099	23,086	198,684
Loans	100,798	-	-	-	100,798
Total assets	<u>\$ 20,220,366</u>	<u>\$ 2,076,722</u>	<u>\$ 1,948,610</u>	<u>\$ 927,846</u>	<u>\$ 25,173,544</u>
Liabilities:					
Accounts payable	\$ 186,038	\$ 29,488	\$ 88,990	\$ 235,675	\$ 540,191
Accrued wages and benefits	3,407,536	11,422	14,776	6,175	3,439,909
Compensated absences payable	46,217	-	-	-	46,217
Intergovernmental payable.	901,966	22,796	32,771	40,862	998,395
Interfund loan payable	-	4,889	-	-	4,889
Due to other funds	-	1,297,754	325,751	278,703	1,902,208
Deferred revenue.	1,057,307	442,479	1,496,920	111,763	3,108,469
Total liabilities	<u>5,599,064</u>	<u>1,808,828</u>	<u>1,959,208</u>	<u>673,178</u>	<u>10,040,278</u>
Fund Balances:					
Reserved for encumbrances	1,525,766	326,832	239,260	537,117	2,628,975
Reserved for prepayments	170,325	4,174	1,099	23,086	198,684
Unreserved, undesignated (deficit), reported in:					
General fund	12,925,211	-	-	-	12,925,211
Special revenue funds.	-	(63,112)	(250,957)	(579,459)	(893,528)
Capital projects funds.	-	-	-	273,924	273,924
Total fund balances (deficit)	<u>14,621,302</u>	<u>267,894</u>	<u>(10,598)</u>	<u>254,668</u>	<u>15,133,266</u>
Total liabilities and fund balances	<u>\$ 20,220,366</u>	<u>\$ 2,076,722</u>	<u>\$ 1,948,610</u>	<u>\$ 927,846</u>	<u>\$ 25,173,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 493,580	\$ 27,693	\$ 92,189	\$ (373,698)
Special	14,630,501	13,228,838	1,688,445	286,782
Vocational	507,440	502,813	503	(4,124)
Support services:				
Pupil	2,791,348	2,496,538	228,463	(66,347)
Instructional staff	19,056,720	15,354,073	3,326,507	(376,140)
Board of education	81,161	80,780	-	(381)
Administration	10,813,723	6,721,326	3,450,493	(641,904)
Fiscal	2,469,813	1,475,982	1,083,574	89,743
Business	437,217	432,393	-	(4,824)
Operations and maintenance	656,126	372,289	202,966	(80,871)
Pupil transportation	36,919	-	-	(36,919)
Central	1,592,366	1,038,131	568,253	14,018
Operation of non-instructional				
services	580	-	-	(580)
Extracurricular activities	28,535	-	-	(28,535)
Interest and fiscal charges	158,846	-	-	(158,846)
Total governmental activities	<u>\$ 53,754,875</u>	<u>\$ 41,730,856</u>	<u>\$ 10,641,393</u>	<u>(1,382,626)</u>
General Revenues:				
Grants and entitlements not restricted				
to specific programs				4,560,256
Investment earnings				183,001
Miscellaneous				366,092
Total general revenues				<u>5,109,349</u>
Special item:				
Transfer of Delaware-Union ESC net assets				
upon merger				<u>1,196,679</u>
Total general revenues and special item				<u>6,306,028</u>
Change in net assets				4,923,402
Net assets at beginning of year				<u>14,315,249</u>
Net assets at end of year				<u>\$ 19,238,651</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	15,133,266
<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.			5,836,529
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Tuition and customer services receivable	\$	1,029,073	
Intergovernmental receivable		2,051,162	
Accrued interest receivable		28,234	
		3,108,469	
Total			3,108,469
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.			339,195
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(11,020)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,854,922)	
Capital lease obligation		(159,866)	
Lease purchase agreement		(3,153,000)	
		(5,167,788)	
Total			(5,167,788)
Net assets of governmental activities		\$	19,238,651

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Title VI-B</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Tuition	\$ 19,696,381	\$ -	\$ -	\$ -	\$ 19,696,381
Customer services	21,260,219	-	-	857,150	22,117,369
Earnings on investments	161,133	-	-	-	161,133
Rental income	145,704	-	-	-	145,704
Extacurricular	-	-	-	1,501	1,501
Contributions and donations	-	-	252,602	106,700	359,302
Other local revenues	220,388	-	-	2,600	222,988
Other revenue	547,766	-	-	254,285	802,051
Intergovernmental - State	4,560,256	-	112,873	2,777,973	7,451,102
Intergovernmental - Federal	-	4,254,880	1,128,333	57,191	5,440,404
Total revenue	<u>46,591,847</u>	<u>4,254,880</u>	<u>1,493,808</u>	<u>4,057,400</u>	<u>56,397,935</u>
Expenditures:					
Current:					
Instruction:					
Regular	312,386	-	-	183,586	495,972
Special	13,044,337	-	959,316	573,124	14,576,777
Vocational	504,736	-	-	891	505,627
Support services:					
Pupil	2,501,161	-	146,228	47,093	2,694,482
Instructional staff	15,267,361	1,767,827	264,094	1,529,254	18,828,536
Board of education	81,161	-	-	-	81,161
Administration	6,362,179	1,876,245	245,774	2,617,312	11,101,510
Fiscal	1,452,215	231,574	487,430	294,402	2,465,621
Business	434,430	-	-	-	434,430
Operations and maintenance	372,752	238,110	-	1,500	612,362
Pupil transportation	33,469	-	-	-	33,469
Central	1,041,798	383,978	-	11,074	1,436,850
Operation of non-instructional services	542	-	-	-	542
Extracurricular activities	28,533	-	-	-	28,533
Facilities acquisition and construction	-	-	-	383,773	383,773
Debt service:					
Principal retirement	177,000	52,544	-	-	229,544
Interest and fiscal charges	144,438	15,095	-	-	159,533
Total expenditures	<u>41,758,498</u>	<u>4,565,373</u>	<u>2,102,842</u>	<u>5,642,009</u>	<u>54,068,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,833,349</u>	<u>(310,493)</u>	<u>(609,034)</u>	<u>(1,584,609)</u>	<u>2,329,213</u>
Other financing sources (uses):					
Transfers in	751	-	-	-	751
Transfers (out)	-	-	-	(751)	(751)
Total other financing sources (uses)	<u>751</u>	<u>-</u>	<u>-</u>	<u>(751)</u>	<u>-</u>
Special item:					
Transfer of Delaware-Union ESC fund balance upon merger	1,649,918	-	-	16,659	1,666,577
Net change in fund balances	6,484,018	(310,493)	(609,034)	(1,568,701)	3,995,790
Fund balances at beginning of year	<u>8,137,284</u>	<u>578,387</u>	<u>598,436</u>	<u>1,823,369</u>	<u>11,137,476</u>
Fund balances (deficit) at end of year	<u>\$ 14,621,302</u>	<u>\$ 267,894</u>	<u>\$ (10,598)</u>	<u>\$ 254,668</u>	<u>\$ 15,133,266</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 3,995,790

Amounts reported for governmental activities in the statement of activities are different because:

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 capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$	802,193	
Current year depreciation		(647,141)	
Total			155,052

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (25,721)

The transfer of capital assets, net of accumulated depreciation, and long-term liabilities from the Delaware-Union ESC to the ESC of Central Ohio, in accordance with the merger agreement, did not have an effect on the governmental fund statements; however, they did have an effect on the statement of activities.

Capital assets, net of accumulated depreciation		111,683	
Long-term liabilities		(581,581)	
Total			(469,898)

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 229,544

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Tuition and customer services		(86,995)	
Intergovernmental revenue		1,148,790	
Earnings on investments		17,771	
Total			1,079,566

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 expense of the internal service fund is allocated among the governmental activities. (23,111)

In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, an interest expenditure is reported when due. 687

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. (18,507)

Change in net assets of governmental activities \$ 4,923,402

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 1,046,160
Cash with fiscal agent.	161,571
Total assets	1,207,731
Liabilities:	
Claims payable	868,536
Total liabilities	868,536
Net assets:	
Unrestricted	339,195
Total net assets	\$ 339,195

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 6,117,129
Total operating revenues	<u>6,117,129</u>
Operating expenses:	
Claims.	<u>6,144,337</u>
Total operating expenses	<u>6,144,337</u>
Operating loss	<u>(27,208)</u>
Nonoperating revenues:	
Interest revenue.	<u>4,097</u>
Total nonoperating revenues	<u>4,097</u>
Change in net assets	(23,111)
Net assets at beginning of year	<u>362,306</u>
Net assets at end of year.	<u><u>\$ 339,195</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	\$ 6,117,129
Cash payments for claims	(5,720,042)
Net cash provided by operating activities	397,087
Cash flows from investing activities:	
Interest received	4,097
Net cash provided by investing activities	4,097
Net increase in cash and cash equivalents	401,184
Cash and cash equivalents at beginning of year . . .	806,547
Cash and cash equivalents at end of year.	\$ 1,207,731
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss.	\$ (27,208)
Changes in assets and liabilities:	
Increase in claims payable.	424,295
Net cash provided by operating activities	\$ 397,087

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,475,109
Receivables:	
Intergovernmental	215,216
Prepayments	8,300
Total assets.	\$ 1,698,625
Liabilities:	
Accounts payable.	\$ 187,087
Accrued wages and benefits	120,217
Compensated absences payable	10,117
Intergovernmental payable	1,280,406
Loans payable.	100,798
Total liabilities	\$ 1,698,625

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE CENTER

The Educational Service Center of Central Ohio (the "Center") (formerly, the Educational Service Center of Franklin County, or the "ESCFC") 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.

Effective January 1, 2009, in conjunction with the merger with the Delaware-Union Educational Service Center (the "DUESC"), the Center operates under a locally-elected seven 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 116,431 students and other community members in Delaware, Franklin, and Union Counties.

The Center provides services in the area of special education classes, supervision, administration, fiscal and other needed services to eight local school districts in Delaware, Franklin, and Union Counties and also has city/county agreements with ten city school districts. In addition, the Center provides contracted services to eleven school districts and fiscal services for various state and local agencies such as the Ohio Department of Education projects and the Catholic Diocese.

The Center serves local school districts: Big Walnut Local School District, Buckeye Valley Local School District, Canal Winchester Local School District, Fairbanks Local School District, Groveport Madison Local School District, Hamilton Local School District, New Albany/Plain Local School District, Olentangy Local School District, and city school districts as provided by S.B. 140, O.R.C. Section 3313.483. Other school districts outside of Delaware, Franklin, and Union Counties are served on an individual contract basis for various services.

The Center is located in Columbus, Ohio and is staffed by 135 administrators, 391 certified and 630 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations and student related activities of the Center.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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 districts and educational service centers in Franklin County and surrounding areas by cooperative action membership. The Governing Board consists of a representative from each of the Franklin County School districts and the Center. School districts and educational service centers outside of Franklin County are associate members and each county selects a single district or center to represent them on the Governing Board. MEC is its own fiscal agent. The Center does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the Center.

Delaware Area Career Center

The Delaware Area Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of two representatives from each of the participating school district's elected board, and one representative from the Center. The Career Center possesses its own budgeting and taxing authority. Financial information is available from Christopher Bell, Treasurer, Delaware Area Career Center, at 4505 Columbus Pike, Delaware, Ohio 43015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Tri-Rivers Career Center

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

Educational Service Center Council of Governments (the "ESCCOG")

The ESCCOG is a legally separate body politic and corporate served by an appointed three-member Board of Directors and meets the definition of regional council of governments under Chapter 167 of the Ohio Revised Code. Financial information is available from Alan Hutchinson, Treasurer, Educational Service Center Council of Governments, 2080 Citygate Drive, Columbus, Ohio 43219.

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.

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.

Miscellaneous federal grants fund - The miscellaneous federal grants fund is used to account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

The other governmental funds of the Center account for grants and other resources whose use is restricted to a particular purpose and for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and 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 revenue of the Center's internal service fund is charges for services. Operating expenses for internal service funds include charges for services and claims expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Basis of Accounting

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

Revenues - Exchange and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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, except agency. 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.

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 2009. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

F. Cash and Investments

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through 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 2009, investments were limited to investments in negotiable and non-negotiable certificates of deposit (CD's) and the State Treasury Asset Reserve (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The Center has invested funds in STAR Ohio during fiscal year 2009. 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, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$161,133, which includes \$29,806 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 CENTRAL OHIO
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009 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 CENTRAL OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 CENTRAL OHIO
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 loans 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.

On January 1, 2009 the ESCFC and the DUESC merged to form the Educational Service Center of Central Ohio. The transfer of fund balance and net assets of the DUESC at December 31, 2008 upon the merger with the ESCFC has been reported as a special item in the Center’s statement of revenues, expenditures and changes in fund balances and in the statement of activities.

A variance in the amount of \$16,800 between the special item upon the merger reported by the DUESC at December 31, 2008, and the special item reported by the Center during fiscal year 2009 is a result of a fund classified by the Center as an agency fund that was reported by the DUESC as a special revenue fund. The following schedule reconciles the special items as reported by the DUESC at December 31, 2008 and the Center during fiscal year 2009:

	Governmental Funds - Modified <u>Accrual Basis</u>	Governmental Activities <u>Accrual Basis</u>
Special item reported by DUESC at December 31, 2008	\$ 1,649,777	\$ 1,179,879
Fund (deficit) reclassification	<u>16,800</u>	<u>16,800</u>
Special item reported by ESC of Central Ohio	<u>\$ 1,666,577</u>	<u>\$ 1,196,679</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the Center has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Center.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Center.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Center.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Center.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major fund</u>	
Miscellaneous federal grants	\$ 10,598
<u>Nonmajor governmental funds</u>	
Miscellaneous state grants	225,050
Title III	11,645
Title I	458
Preschool for handicapped	14,417

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 CENTRAL OHIO
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

B. Cash With Fiscal Agent

The Center is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2009, was \$161,571.

C. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all Center deposits was \$14,916,131. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$13,230,460 of the Center's bank balance of \$17,229,083 was exposed to custodial risk as discussed below, while \$3,998,623 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2009, the Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>19 to 24 months</u>
Negotiable CD's	\$ 893,000	\$ 297,000	\$ 98,000	\$ 498,000
STAR Ohio	522,378	522,378	-	-
	<u>\$ 1,415,378</u>	<u>\$ 819,378</u>	<u>\$ 98,000</u>	<u>\$ 498,000</u>

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. The Center's investment policy does not specifically address credit risk beyond requiring the Center to only invest in securities authorized by State statute.

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 893,000	63.09
STAR Ohio	522,378	36.91
	<u>\$ 1,415,378</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. 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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 14,916,131
Investments	1,415,378
Cash with fiscal agent	161,571
Cash on hand	<u>750</u>
 Total	 <u>\$ 16,493,830</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 15,018,721
Agency funds	<u>1,475,109</u>
 Total	 <u>\$ 16,493,830</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2009, 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	Title VI-B	\$ 4,889

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

- B.** Interfund balances at June 30, 2009, 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	Title VI-B	\$ 1,297,754
General fund	Miscellaneous federal grants	325,751
General fund	Nonmajor governmental funds	278,703

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

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

<u>Transfers from nonmajor governmental funds to:</u>	<u>Amount</u>
General fund	\$ 751

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.

All transfers made in fiscal year 2009 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	\$ 100,798

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, 2009 consisted of intergovernmental (billings to school districts 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	\$ 132,737
Intergovernmental	8,988,141
Accrued interest	35,097

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Transfers</u> <u>from DUESC</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
<i>Capital assets, not being depreciated:</i>					
Land	\$ 128,300	\$ -	\$ -	\$ -	\$ 128,300
Capital assets, not being depreciated	<u>128,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,300</u>
<i>Capital assets, being depreciated:</i>					
Buildings	3,371,700	-	256,605	-	3,628,305
Furniture and equipment	4,592,733	311,552	545,588	(831,667)	4,618,206
Vehicles	<u>273,753</u>	<u>-</u>	<u>-</u>	<u>(17,041)</u>	<u>256,712</u>
Total capital assets, being depreciated	<u>8,238,186</u>	<u>311,552</u>	<u>802,193</u>	<u>(848,708)</u>	<u>8,503,223</u>
<i>Less: accumulated depreciation:</i>					
Buildings	(128,043)	-	(85,945)	-	(213,988)
Furniture and equipment	(2,492,248)	(199,869)	(540,333)	807,650	(2,424,800)
Vehicles	<u>(150,680)</u>	<u>-</u>	<u>(20,863)</u>	<u>15,337</u>	<u>(156,206)</u>
Total accumulated depreciation	<u>(2,770,971)</u>	<u>(199,869)</u>	<u>(647,141)</u>	<u>822,987</u>	<u>(2,794,994)</u>
Governmental activities capital assets, net	<u>\$ 5,595,515</u>	<u>\$ 111,683</u>	<u>\$ 155,052</u>	<u>\$ (25,721)</u>	<u>\$ 5,836,529</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Special	\$ 93,632
<u>Support services:</u>	
Instructional staff	85,910
Administration	207,313
Fiscal	2,198
Business	5,253
Operations and maintenance	75,639
Pupil transportation	3,450
Central	<u>173,746</u>
Accumulated depreciation	<u>\$ 647,141</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009, capital assets acquired by lease purchase have been capitalized under land and buildings in the amounts of \$128,300 and \$3,371,700, respectively. Accumulated depreciation on buildings as of June 30, 2009 was \$213,988 leaving a current book value of \$3,157,712. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2009 totaled \$177,000 and \$144,438, 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, 2009.

Fiscal Year Ending June 30,	Total
2010	\$ 321,373
2011	320,951
2012	321,151
2013	320,949
2014	320,347
2015 - 2019	1,593,681
2020 - 2022	951,713
Total minimum lease payments	4,150,165
Less: amount representing interest	(997,165)
Present value of minimum lease payments	\$ 3,153,000

B. Capital Lease Agreement

During a prior 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 2009 totaled \$52,544 paid by the Title VI-B fund.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2010	\$ 67,638
2011	67,638
2012	<u>43,146</u>
Total minimum lease payment	178,422
Less: amount representing interest	<u>(18,556)</u>
Present value of minimum lease payments	<u>\$ 159,866</u>

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
Compensated absences	\$ 1,272,012	\$ 1,182,933	\$ (553,806)	\$ 1,901,139	\$ 672,419
Capital lease	212,410	-	(52,544)	159,866	56,905
Lease purchase agreement	<u>3,330,000</u>	<u>-</u>	<u>(177,000)</u>	<u>3,153,000</u>	<u>185,000</u>
Total long-term obligations	<u>\$ 4,814,422</u>	<u>\$ 1,182,933</u>	<u>\$ (783,350)</u>	<u>\$ 5,214,005</u>	<u>\$ 914,324</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.

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 \$2,000,000 for each occurrence and \$4,000,000 in the aggregate. Fleet insurance is maintained in the amount of \$1,000,000 for each occurrence.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - RISK MANAGEMENT - (Continued)

The Center maintains commercial property insurance on buildings and buildings contents in the amount of \$13,500,000 with supplemental coverage for computers and classroom equipment in the amount of \$1,900,000.

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 no significant reduction in coverage from the prior year.

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 districts 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 districts 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 districts 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.

C. Health and Dental Insurance

For the former Employees of the ESCFC and all employees hired after January 1, by the Center, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - RISK MANAGEMENT - (Continued)

A summary of changes in self-insurance claims:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Balance</u> <u>June 30, 2008</u>
Claims liability at beginning of year	\$ 444,241	\$ 436,150
Incurred claims	6,144,337	6,041,684
Claims paid	<u>(5,720,042)</u>	<u>(6,033,593)</u>
Claims liability at end of year	<u>\$ 868,536</u>	<u>\$ 444,241</u>

The former DUESC employees participate in The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (CDMU), a public entity shared risk pool consisting of seven Districts and Madison Champaign County. The Trust is organized as a Voluntary Employee Benefit association under Section 501 (c) (9) of the Internal Revenue Code and provides medical, dental and life insurance benefits to the employees of the participants. The Trust is responsible for the management and operations of the program. Each participant's superintendent is appointed to the Administrative Committee which advises the Trustee, concerning aspects of the administration of the Trust. Upon withdrawal from the trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. For employer and employees at June 30, 2009, single coverage is 90% Board paid and 10% employee paid, while family coverage is 72% Board paid and 28% employee paid. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from the north Union Local District, 12920 State Route 739, Richwood, Ohio 43344.

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.

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - COMPENSATED ABSENCES - (Continued)

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

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 2009, 9.09 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, 2009, 2008 and 2007 were \$1,463,540, \$1,199,479 and \$1,188,161, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2009, 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, 2009, 2008 and 2007 were \$2,243,845, \$1,640,667 and \$1,546,632, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$76,843 made by the Center and \$147,676 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, 2009, certain members of the Board of Education have elected Social Security. The Center's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 105(e). For 2009, 4.16 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 2009, the actuarially determined amount was \$35,800.

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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$865,118, \$727,298 and \$541,745, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$120,754, \$86,425 and \$80,795, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2009, 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, 2009, 2008, and 2007 were \$172,603, \$126,205 and \$113,370, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 14 - STATE FUNDING

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

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

NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE

- A. On 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

- B.** On June 25, 2009, the Center entered into a lease agreement with the Delaware Area Career Center (the "Landlord") to rent building space. The length of the lease shall be for a period of 48 months commencing July 1, 2009, and ending on June 30, 2013. The Center retains the option to renew for an additional four year term upon the same terms of this lease, subject to a two percent yearly rent increase.

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

<u>Lease Year</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>
1	\$ 9,326	\$ 777
2	9,513	793
3	9,703	809
4	9,897	825

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.

SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 Grant Cluster:				
(B) Special Education_Grants to States	84.027	2007	\$ -	\$ 186,180
(B) Special Education_Grants to States	84.027	2008	624,524	540,826
(B) Special Education_Grants to States	84.027	2008	9,240	45,270
(B) Special Education_Grants to States	84.027	2008	703,027	1,839,773
(B) Special Education_Grants to States	84.027	2009	140,694	190,998
(B) Special Education_Grants to States	84.027	2009	1,499,399	1,542,194
(B) Special Education_Grants to States	84.027	2009	-	75,880
(B) Special Education_Grants to States	84.027	2009	271,419	373,159
Total Special Education _Grants to States			<u>3,248,303</u>	<u>4,794,280</u>
(B) Special Education_Preschool Grants	84.173	2008	31,014	25,602
(B) Special Education_Preschool Grants	84.173	2009	6,000	6,000
(B) Special Education_Preschool Grants	84.173	2009	32,840	44,463
Total Special Education_Preschool Grants			<u>69,854</u>	<u>76,065</u>
Total Special Education Grant Cluster			<u>3,318,157</u>	<u>4,870,345</u>
State Grants for Innovative Programs	84.298	2008	90,698	90,698
State Grants for Innovative Programs	84.298	2009	163,587	188,875
Total State Grants for Innovative Programs			<u>254,285</u>	<u>279,573</u>
Special Education - State Personnel Development	84.323	2007	84,375	5,334
Special Education - State Personnel Development	84.323	2008	18,497	-
Special Education - State Personnel Development	84.323	2009	10,001	12,640
Total Special Education - State Personnel Development			<u>112,873</u>	<u>17,974</u>
(D) English Language Acquisition Grants	84.365	2007	(4,853)	-
(D) English Language Acquisition Grants	84.365	2008	9,184	14,265
(D) English Language Acquisition Grants	84.365	2009	32,714	38,502
Total English Language Acquisition Grants			<u>37,045</u>	<u>52,767</u>
School Improvement Grants	84.377	2009	4,000	-
Total School Improvement Grants			<u>4,000</u>	<u>-</u>
Total U.S. Department of Education passed through Ohio Department of Education			<u>3,726,360</u>	<u>5,220,659</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH N/A				
(D) Fund for the Improvement of Education	84.215	2007	(1,000)	-
(D) Fund for the Improvement of Education	84.215	2008	130,160	55,263
(D) Fund for the Improvement of Education	84.215	2009	123,442	135,818
Total Fund for the Improvement of Education			<u>252,602</u>	<u>191,081</u>
Total U.S. Department of Education			<u>3,978,962</u>	<u>5,411,740</u>
				- Continued

**EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 HEALTH AND HUMAN SERVICES PASSED THROUGH FRANKLIN COUNTY JOB AND FAMILY SERVICES				
Temporary Assistance for Needy Families	93.558	2007	\$ 826,477	\$ 551,679
Temporary Assistance for Needy Families	93.558	2008	270,806	667,088
Temporary Assistance for Needy Families	93.558	2008	-	326,295
Temporary Assistance for Needy Families	93.558	2009	22,330	51,538
Temporary Assistance for Needy Families	93.558	2009	232,637	257,298
Total Temporary Assistance for Needy Families			<u>1,352,250</u>	<u>1,853,898</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES				
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	2009	-	1,935
Total Medicaid Infrastructure Grants			<u>-</u>	<u>1,935</u>
Total U.S. Department of Health and Human Service:			<u>1,352,250</u>	<u>1,855,833</u>
U.S. DEPARTMENT OF LABOR PASSED THROUGH OHIO DEPARTMENT OF JOB AND FAMILY SERVICES				
WIA Adult Program	17.258	2009	-	33,529
Total WIA Adult Program			<u>-</u>	<u>33,529</u>
Total U.S. Department of Labor			<u>-</u>	<u>33,529</u>
Total Federal Financial Assistance			<u>\$ 5,331,212</u>	<u>\$ 7,301,102</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 2009.

(D) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with approval from the Ohio Department of Education, or the U.S. Department of Education, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts approved between the cost centers. During fiscal year 2009, the following amounts were authorized for transfer:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Fund for the Improvement of Education	84.215	2007	\$ 1,000	
Fund for the Improvement of Education	84.215	2009		\$ 1,000
Fund for the Improvement of Education	84.215	2008	\$ 71,230	
Fund for the Improvement of Education	84.215	2009		\$ 71,230
English Language Acquisition Grants	84.365	2007	\$ 4,853	
English Language Acquisition Grants	84.365	2009		\$ 4,853
English Language Acquisition Grants	84.365	2008	\$ 7,654	
English Language Acquisition Grants	84.365	2009		\$ 7,654
Totals			<u>\$ 84,737</u>	<u>\$ 84,737</u>



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 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 Central Ohio
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 Central Ohio, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Educational Service Center of Central Ohio's basic financial statements and have issued our report thereon dated December 28, 2009. 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 Central Ohio'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 Central Ohio's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Educational Service Center of Central Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Central Ohio'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 Central Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Educational Service Center of Central Ohio's internal control.

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 Central Ohio's internal control.

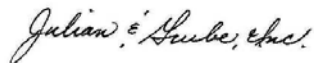
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Governing Board
Educational Service Center of Central Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Educational Service Center of Central Ohio'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*.

This report is intended solely for the information and use of the management and the Governing Board of the Educational Service Center of Central Ohio 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.
December 28, 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 Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of the Educational Service Center of Central Ohio, 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 its major federal program for the fiscal year ended June 30, 2009. The Educational Service Center of Central Ohio's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Educational Service Center of Central Ohio's management. Our responsibility is to express an opinion on the Educational Service Center of Central Ohio'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 Central Ohio'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 Central Ohio's compliance with those requirements.

In our opinion, the Educational Service Center of Central Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of the Educational Service Center of Central Ohio 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 Central Ohio'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 Central Ohio's internal control over compliance.

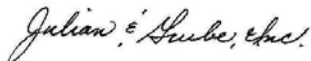
Governing Board
Educational Service Center of Central Ohio

A control deficiency in the Educational Service Center of Central Ohio'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 Central Ohio'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 Central Ohio'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 Central Ohio'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 Central Ohio 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.
December 28, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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>	No
<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 the major federal program?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for the major federal program?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's 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 Program (listed):</i>	Special Education Grant Cluster: Special Education Grants to States - CFDA #84.027 and Special Education Preschool Grants - CFDA #84.173
<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>	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2008-ESCFC-001	<u>Significant Deficiency</u> - The Center's audited financial report was completed approximately one month subsequent to the due date.	Yes	N/A
2008-ESCFC-002	<u>Significant Deficiency</u> - Audit adjustments were necessary to properly present the financial statements.	Yes	N/A



Mary Taylor, CPA
Auditor of State

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2010**