



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio (the Center), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule of Federal Awards Receipts and Expenditures directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards Receipts and Expenditures is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 13, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$3,454,447 which represents a 22.67% decrease from 2012.
- General revenues accounted for \$5,404,664 in revenue or 6.71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$75,088,397 or 93.29% of total revenues of \$80,493,061.
- The Center had \$83,947,508 in expenses related to governmental activities; \$75,088,397 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) were not adequate to provide for these programs.
- The Center's major governmental fund is the general fund. The general fund had \$70,681,534 in revenues and other financing sources and \$76,385,860 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$5,704,326 from \$12,068,973 to \$6,364,647.

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

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

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

**Reporting the Center as a Whole**

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

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, deferred inflows and outflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

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

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

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

The Center's statement of net position and statement of activities can be found on pages 14-15 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-17 of this report.

***Proprietary Fund***

The Center maintains only one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the Center's various functions. The Center has internal service funds that account for self-insurance programs which provide health, dental and workers' compensation benefits to the Center's employees. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-55 of this report.

**The Center as a Whole**

The statement of net position provides the perspective of the Center as a whole. The table below provides a summary of the Center's net position for 2013 and 2012.

	<b>Net Position</b>	
	Governmental Activities 2013	Governmental Activities 2012
<b><u>Assets</u></b>		
Current and other assets	\$ 21,675,204	\$ 21,441,922
Capital assets	<u>4,810,540</u>	<u>5,171,890</u>
Total assets	<u>26,485,744</u>	<u>26,613,812</u>
<b><u>Liabilities</u></b>		
Current liabilities	10,241,714	6,753,343
Long-term liabilities	<u>4,459,136</u>	<u>4,621,128</u>
Total liabilities	<u>14,700,850</u>	<u>11,374,471</u>
<b><u>Net position</u></b>		
Net investment in capital assets	2,439,699	2,486,387
Restricted	602,863	881,514
Unrestricted	<u>8,742,332</u>	<u>11,871,440</u>
Total net position	<u>\$ 11,784,894</u>	<u>\$ 15,239,341</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the Center's assets exceeded liabilities by \$11,784,894. Of this total, \$8,742,332 is unrestricted in use.

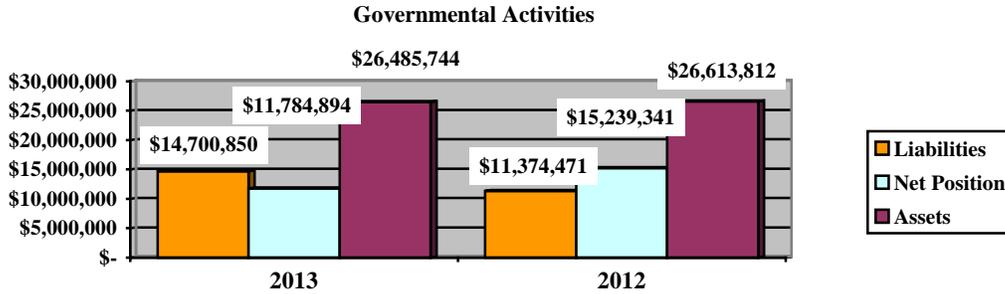
Total current assets increased due to the increase in receivables (primarily grants and billings for services provided). At year-end, capital assets represented 18.16% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2013 was \$2,439,699. These capital assets are used to provide the Center's services and are not available for future spending.

The increase in current liabilities is primarily the result of intergovernmental payables and unearned revenue. Most of the intergovernmental payable at June 30, 2013 is for amounts owed to the Center's component unit. Unearned revenue represents payments made by member organizations to the Center for services that have yet to be provided by year-end.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

A portion of the Center's net position, \$602,863, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$8,742,332 may be used to meet the Center's ongoing obligations to the students and creditors.



The table below shows the change in net position for fiscal year 2013 and 2012.

**Change in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 66,296,352	\$ 49,697,566
Operating grants and contributions	8,792,045	10,274,969
General revenues:		
Grants and entitlements	5,023,787	5,334,729
Investment earnings	21,395	19,610
Other	359,482	167,303
Total revenues	<u>\$ 80,493,061</u>	<u>\$ 65,494,177</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

**Change in Net Position (Continued)**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 395,815	\$ 789,238
Special	10,555,388	10,603,378
Other	804	56,868
Support services:		
Pupil	8,268,781	8,511,786
Instructional staff	14,181,401	11,766,000
Board of education	59,223	70,637
Administration	9,101,264	9,555,426
Fiscal	2,096,276	1,991,345
Business	518,288	529,099
Operations and maintenance	1,268,019	1,414,914
Pupil transportation	192,541	186,946
Central	36,991,317	21,020,110
Operation of non-instructional services	63,877	70,627
Extracurricular activities	142,534	99,795
Interest and fiscal charges	<u>111,980</u>	<u>125,575</u>
Total expenses	<u>83,947,508</u>	<u>66,791,744</u>
Change in net position	(3,454,447)	(1,297,567)
Net position at beginning of year	<u>15,239,341</u>	<u>16,536,908</u>
Net position at end of year	<u>\$ 11,784,894</u>	<u>\$ 15,239,341</u>

**Governmental Activities**

Net position of the Center's governmental activities decreased \$3,454,447 during fiscal year 2013. Total governmental expenses of \$83,947,508 were offset by program revenues of \$75,088,397 and general revenues of \$5,404,664. Program revenues supported 89.45% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from tuition and contracted fees for services provided to other entities. These revenue sources represent 82.36% of total governmental revenue. An increase in contracted services, particularly for the Center's city school district members, is the primary reason for the significant increase in both revenues and expenses.

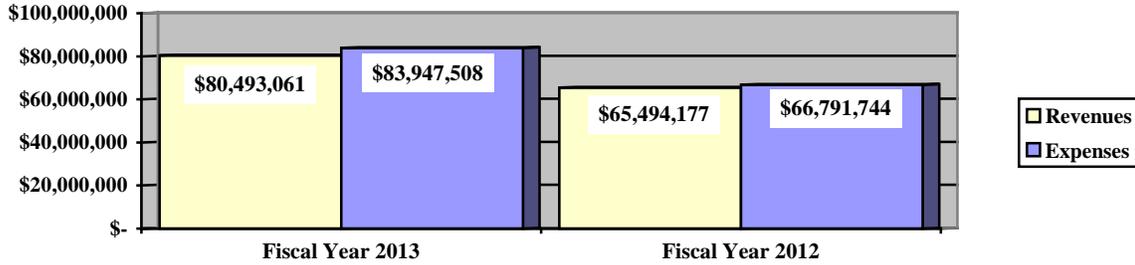
Most of the increase in expenses was for central support services. These expenses are primarily related to the Center's costs for staff recruiting and placement services, and also for health services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2013 and 2012.

**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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Program expenses</b>				
Instruction:				
Regular	\$ 395,815	\$ 393,579	\$ 789,238	\$ 734,651
Special	10,555,388	1,416,488	10,603,378	1,525,717
Other	804	804	56,868	56,868
Support services:				
Pupil	8,268,781	1,103,952	8,511,786	1,407,390
Instructional staff	14,181,401	1,816,090	11,766,000	177,723
Board of education	59,223	7,949	70,637	10,933
Administration	9,101,264	(221,622)	9,555,426	(1,321,677)
Fiscal	2,096,276	251,800	1,991,345	99,605
Business	518,288	62,435	529,099	83,717
Operations and maintenance	1,268,019	206,421	1,414,914	151,984
Pupil transportation	192,541	192,541	186,946	186,946
Central	36,991,317	3,310,283	21,020,110	3,409,355
Operation of non-instructional services	63,877	63,877	70,627	70,627
Extracurricular activities	142,534	142,534	99,795	99,795
Interest and fiscal charges	111,980	111,980	125,575	125,575
<b>Total expenses</b>	<u>\$ 83,947,508</u>	<u>\$ 8,859,111</u>	<u>\$ 66,791,744</u>	<u>\$ 6,819,209</u>

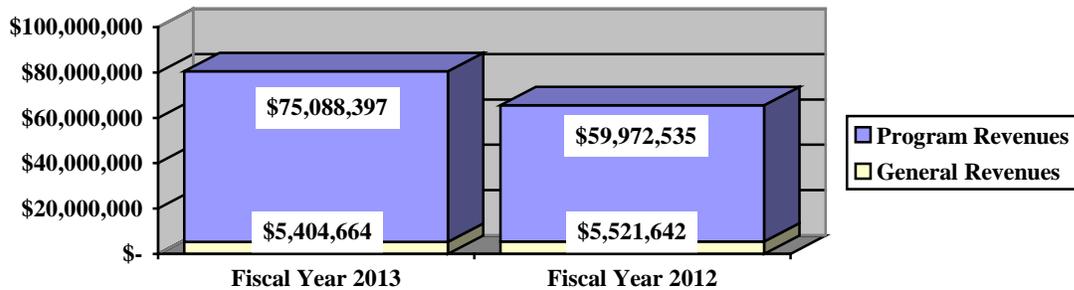
For all governmental activities, program revenue support is 89.45% at June 30, 2013 and 89.79% at June 30, 2012. The primary support of the Center is contracted fees for services provided to other districts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

The graph below presents the Center's governmental activities revenue for fiscal year 2013 and 2012.

**Governmental Activities - General and Program Revenues**



**The Center's Funds**

The Center's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$6,365,612 which is \$6,091,409 lower than last year's total of \$12,457,021. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	<u>(Decrease)</u>
General Fund	\$ 6,364,647	\$ 12,068,973	\$ (5,704,326)
Nonmajor Governmental Funds	<u>965</u>	<u>388,048</u>	<u>(387,083)</u>
Total	<u>\$ 6,365,612</u>	<u>\$ 12,457,021</u>	<u>\$ (6,091,409)</u>

**General Fund**

The Center's general fund balance decreased in fiscal year 2013 by \$5,704,326. 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, 2013  
Unaudited

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Tuition	\$ 11,986,892	\$ 11,987,958	(0.01) %
Customer services	50,006,011	36,851,477	35.70 %
Earnings on investments	21,939	22,277	(1.52) %
Intergovernmental	8,242,260	9,147,731	(9.90) %
Other revenues	<u>354,180</u>	<u>167,303</u>	111.70 %
 Total	 <u>\$ 70,611,282</u>	 <u>\$ 58,176,746</u>	 21.37 %
<b><u>Expenditures</u></b>			
Instruction	\$ 9,330,474	\$ 9,657,489	(3.39) %
Support services	66,267,442	48,243,269	37.36 %
Operation of non-instructional services	63,880	69,125	(7.59) %
Extracurricular activities	138,149	99,761	38.48 %
Facilities acquisition and construction	7,096	7,017	1.13 %
Debt service	<u>427,425</u>	<u>427,627</u>	(0.05) %
 Total	 <u>\$ 76,234,466</u>	 <u>\$ 58,504,288</u>	 30.31 %

Both revenues and expenditures increased significantly during fiscal year 2013 as a result of additional services contracts with member entities. The general fund received more federal grant revenue in 2013; however, this was offset by a decrease in intergovernmental revenue from the State. The overall decrease in intergovernmental revenue is primarily due to less State funding for the Center's OCALI grant program. Also contributing to the decrease is the State Budget Bill in place for fiscal year 2013, which stipulated that Educational Service Centers throughout the State would receive 15% less in per-pupil funding compared to fiscal year 2012. For the Center, this resulted in a loss in revenue of \$563,292.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the Center had \$4,810,540 invested in land, buildings, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2013 balances compared to 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

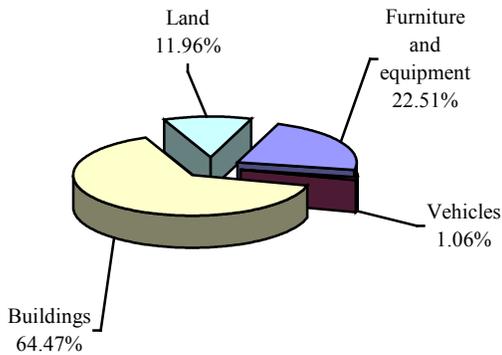
**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 575,181	\$ 575,181
Buildings	3,101,375	3,196,854
Furniture and equipment	1,083,075	1,332,937
Vehicles	<u>50,909</u>	<u>66,918</u>
Total	<u>\$ 4,810,540</u>	<u>\$ 5,171,890</u>

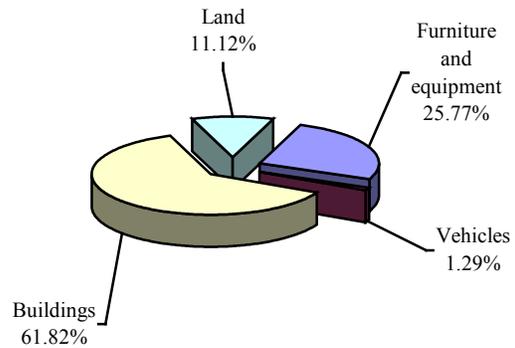
Total additions to capital assets for 2013 were \$104,451. A total of \$443,501 in depreciation expense was recognized and disposals were \$22,300 (net of accumulated depreciation) for fiscal year 2013.

The graphs below present the Center's capital assets for fiscal years 2013 and 2012.

**Capital Assets - Governmental Activities  
2013**



**Capital Assets - Governmental Activities  
2012**



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

***Debt Administration***

At June 30, 2013 the Center had \$2,370,841 in a lease purchase and capital lease agreement outstanding. Of this total, \$228,841 is due within one year and \$2,142,000 is due in greater than one year. The following table summarizes the debt outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited

**Outstanding Debt, at Year End**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
Lease purchase agreement	\$ 2,362,000	\$ 2,573,000
Capital lease obligations	<u>8,841</u>	<u>112,503</u>
Total	<u>\$ 2,370,841</u>	<u>\$ 2,685,503</u>

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

**Current Financial Related Activities**

The Center is in a stable financial position at the end of June 2013. 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 additional financial information should be directed to Mr. Alan Hutchinson, Treasurer, Educational Service Center of Central Ohio, 2080 Citygate Dr., Columbus, Ohio 43219.

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 11,730,493	\$ 1,100,984
Receivables:		
Accounts. . . . .	402,089	-
Intergovernmental . . . . .	9,511,727	2,316,417
Loans. . . . .	30,895	-
Restricted assets:		
Cash held on behalf of others . . . . .	-	901,236
Receivables . . . . .	-	78,920
Capital assets:		
Land . . . . .	575,181	-
Depreciable capital assets, net. . . . .	4,235,359	-
Capital assets, net . . . . .	4,810,540	-
Total assets. . . . .	26,485,744	4,397,557
<b>Liabilities:</b>		
Accounts payable. . . . .	604,856	29,560
Accrued wages and benefits payable . . . . .	3,173,997	1,966,406
Intergovernmental payable . . . . .	2,224,568	863,481
Claims payable . . . . .	871,741	-
Accrued interest payable . . . . .	8,771	-
Unearned revenue . . . . .	3,357,781	-
Payable from restricted assets . . . . .	-	980,156
Long-term liabilities:		
Due within one year. . . . .	872,173	-
Due in more than one year . . . . .	3,586,963	-
Total liabilities . . . . .	14,700,850	3,839,603
<b>Net position:</b>		
Net investment in capital assets. . . . .	2,439,699	-
Restricted for:		
Locally funded programs . . . . .	215,379	-
State funded programs. . . . .	65,140	-
Federally funded programs . . . . .	117,345	-
Student activities . . . . .	205	-
Insurance claims. . . . .	204,794	-
Unrestricted. . . . .	8,742,332	557,954
Total net position . . . . .	\$ 11,784,894	\$ 557,954

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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 395,815	\$ 375	\$ 1,861	\$ (393,579)	\$ -
Special . . . . .	10,555,388	8,743,089	395,811	(1,416,488)	-
Other . . . . .	804	-	-	(804)	-
Support services:					
Pupil . . . . .	8,268,781	7,101,284	63,545	(1,103,952)	-
Instructional staff . . . . .	14,181,401	9,252,621	3,112,690	(1,816,090)	-
Board of education . . . . .	59,223	51,274	-	(7,949)	-
Administration . . . . .	9,101,264	6,805,131	2,517,755	221,622	-
Fiscal . . . . .	2,096,276	1,557,067	287,409	(251,800)	-
Business . . . . .	518,288	455,853	-	(62,435)	-
Operations and maintenance . . . . .	1,268,019	881,619	179,979	(206,421)	-
Pupil transportation . . . . .	192,541	-	-	(192,541)	-
Central . . . . .	36,991,317	31,448,039	2,232,995	(3,310,283)	-
Operation of non-instructional services . . . . .	63,877	-	-	(63,877)	-
Extracurricular activities . . . . .	142,534	-	-	(142,534)	-
Interest and fiscal charges . . . . .	111,980	-	-	(111,980)	-
Total governmental activities . . . . .	<u>\$ 83,947,508</u>	<u>\$ 66,296,352</u>	<u>\$ 8,792,045</u>	<u>(8,859,111)</u>	<u>-</u>
<b>Component unit:</b>					
Shared Services					
Council of Governments . . . . .	\$ 42,327,436	\$ 42,413,415	\$ -	-	85,979
<b>General revenues:</b>					
Grants and entitlements not restricted to specific programs . . . . .				5,023,787	-
Investment earnings . . . . .				21,395	-
Miscellaneous . . . . .				359,482	-
Total general revenues . . . . .				<u>5,404,664</u>	<u>-</u>
Change in net position . . . . .				(3,454,447)	85,979
<b>Net position at beginning of year. . . . .</b>				<u>15,239,341</u>	<u>471,975</u>
<b>Net position at end of year . . . . .</b>				<u>\$ 11,784,894</u>	<u>\$ 557,954</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 9,127,708	\$ 343,712	\$ 9,471,420
Receivables:			
Accounts . . . . .	402,089	-	402,089
Intergovernmental . . . . .	8,362,183	1,149,544	9,511,727
Loans . . . . .	30,895	-	30,895
Due from other funds . . . . .	201,960	-	201,960
Loans to other funds . . . . .	4,889	-	4,889
Total assets . . . . .	<u>\$ 18,129,724</u>	<u>\$ 1,493,256</u>	<u>\$ 19,622,980</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 329,581	\$ 275,275	\$ 604,856
Accrued wages and benefits payable . . . . .	3,086,301	87,696	3,173,997
Compensated absences payable . . . . .	86,492	-	86,492
Intergovernmental payable . . . . .	1,941,102	283,466	2,224,568
Due to other funds . . . . .	-	201,960	201,960
Loans from other funds . . . . .	-	4,889	4,889
Unearned revenue . . . . .	3,357,781	-	3,357,781
Total liabilities . . . . .	<u>8,801,257</u>	<u>853,286</u>	<u>9,654,543</u>
<b>Deferred inflows of resources:</b>			
Customer services revenue not available . . . . .	2,958,518	182,079	3,140,597
Intergovernmental revenue not available . . . . .	-	406,926	406,926
Other revenue not available . . . . .	5,302	50,000	55,302
Total deferred inflows of resources . . . . .	<u>2,963,820</u>	<u>639,005</u>	<u>3,602,825</u>
<b>Fund balances:</b>			
Nonspendable:			
Long-term loans . . . . .	4,889	-	4,889
Restricted:			
Student activities . . . . .	-	205	205
Other purposes . . . . .	-	99,960	99,960
Assigned:			
Student instruction . . . . .	89,733	-	89,733
Student and staff support . . . . .	1,485,146	-	1,485,146
Capital improvements . . . . .	-	217,819	217,819
Unassigned (deficit) . . . . .	4,784,879	(317,019)	4,467,860
Total fund balances . . . . .	<u>6,364,647</u>	<u>965</u>	<u>6,365,612</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 18,129,724</u>	<u>\$ 1,493,256</u>	<u>\$ 19,622,980</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$ 6,365,612
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,810,540
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Customer services receivable	\$ 3,140,597	
Accounts receivable	55,302	
Intergovernmental receivable	406,926	
Total	3,602,825	3,602,825
Internal service funds are used by management to charge the costs of insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position.		1,387,332
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,771)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(2,001,803)	
Capital lease obligations	(8,841)	
Lease purchase agreement	(2,362,000)	
Total	(4,372,644)	(4,372,644)
<b>Net position of governmental activities</b>		<b>\$ 11,784,894</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Tuition . . . . .	\$ 11,986,892	\$ -	\$ 11,986,892
Customer services . . . . .	50,006,011	1,396,163	51,402,174
Earnings on investments . . . . .	21,939	-	21,939
Rental income . . . . .	181,439	-	181,439
Contributions and donations . . . . .	-	70,000	70,000
Other local revenues . . . . .	172,741	-	172,741
Intergovernmental - intermediate . . . . .	-	537,279	537,279
Intergovernmental - state . . . . .	5,361,675	2,627,354	7,989,029
Intergovernmental - federal . . . . .	2,880,585	2,662,737	5,543,322
Total revenues . . . . .	<u>70,611,282</u>	<u>7,293,533</u>	<u>77,904,815</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	392,746	2,305	395,051
Special . . . . .	8,936,899	1,534,233	10,471,132
Other . . . . .	829	-	829
Support services:			
Pupil . . . . .	8,208,802	55,875	8,264,677
Instructional staff . . . . .	10,607,880	3,473,919	14,081,799
Board of education . . . . .	59,271	-	59,271
Administration . . . . .	7,774,412	1,307,275	9,081,687
Fiscal . . . . .	1,731,126	373,392	2,104,518
Business . . . . .	526,946	-	526,946
Operations and maintenance . . . . .	1,011,625	191,358	1,202,983
Pupil transportation . . . . .	182,668	-	182,668
Central . . . . .	36,164,712	653,589	36,818,301
Operation of non-instructional services . . . . .	63,880	-	63,880
Extracurricular activities . . . . .	138,149	-	138,149
Facilities acquisition and construction . . . . .	7,096	19,812	26,908
Debt service:			
Principal retirement . . . . .	314,662	-	314,662
Interest and fiscal charges . . . . .	112,763	-	112,763
Total expenditures . . . . .	<u>76,234,466</u>	<u>7,611,758</u>	<u>83,846,224</u>
Excess of expenditures over revenues . . . . .	<u>(5,623,184)</u>	<u>(318,225)</u>	<u>(5,941,409)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	70,252	1,394	71,646
Transfers (out) . . . . .	(151,394)	(70,252)	(221,646)
Total other financing sources (uses) . . . . .	<u>(81,142)</u>	<u>(68,858)</u>	<u>(150,000)</u>
Net change in fund balances . . . . .	(5,704,326)	(387,083)	(6,091,409)
<b>Fund balances at beginning of year . . . . .</b>	<u>12,068,973</u>	<u>388,048</u>	<u>12,457,021</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 6,364,647</u>	<u>\$ 965</u>	<u>\$ 6,365,612</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, 2013

**Net change in fund balances - total governmental funds** \$ (6,091,409)

*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.

Capital asset additions	\$	104,451	
Current year depreciation		(443,501)	
<b>Total</b>		<b>(339,050)</b>	<b>(339,050)</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (22,300)

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 314,662

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

Customer services		2,907,286	
Other revenue		55,302	
Intergovernmental		(373,798)	
Earnings on investments		(875)	
<b>Total</b>		<b>2,587,915</b>	<b>2,587,915</b>

The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities. 201,946

In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, an interest expenditure is reported when due. 783

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. (106,994)

**Change in net position of governmental activities** \$ (3,454,447)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,259,073
Total assets. . . . .	<u>2,259,073</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>871,741</u>
Total liabilities . . . . .	<u>871,741</u>
<b>Net position:</b>	
Restricted for insurance claims . . . . .	204,794
Unrestricted. . . . .	<u>1,182,538</u>
Total net position . . . . .	<u><u>\$ 1,387,332</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 7,601,693
Other . . . . .	18,599
Total operating revenues . . . . .	<u>7,620,292</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	743,332
Claims . . . . .	6,825,345
Total operating expenses. . . . .	<u>7,568,677</u>
Operating income . . . . .	<u>51,615</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	331
Total nonoperating revenues. . . . .	<u>331</u>
Income before transfers . . . . .	51,946
Transfer in . . . . .	<u>150,000</u>
Change in net position . . . . .	201,946
<b>Net position at beginning of year. . . . .</b>	<u>1,185,386</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 1,387,332</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 7,601,693
Cash received from other operations. . . . .	18,599
Cash payments for purchased services. . . . .	(743,332)
Cash payments for claims . . . . .	<u>(6,809,647)</u>
Net cash provided by operating activities . . . . .	<u>67,313</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	<u>150,000</u>
Net cash provided by noncapital financing activities. . . . .	<u>150,000</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>331</u>
Net cash provided by investing activities . . . . .	<u>331</u>
Net increase in cash and cash equivalents . . . . .	217,644
<b>Cash and cash equivalents at beginning of year. . . . .</b>	<u>2,041,429</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 2,259,073</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 51,615
Changes in assets and liabilities: Increase in claims payable. . . . .	<u>15,698</u>
Net cash provided by operating activities. . . . .	<u><u>\$ 67,313</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 3,346,506
Receivables:	
Intergovernmental . . . . .	420,716
Total assets. . . . .	\$ 3,767,222
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 314,685
Accrued wages and benefits . . . . .	4,380
Intergovernmental payable . . . . .	2,191,137
Deposits held on behalf of others. . . . .	1,226,125
Loans payable. . . . .	30,895
Total liabilities . . . . .	\$ 3,767,222

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 1 - DESCRIPTION OF THE CENTER**

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

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

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

The Center is located in Columbus, Ohio and is staffed by 255 certified and 216 non-certified personnel.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

*COMPONENT UNIT*

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

Delaware Area Career Center

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Tri-Rivers Career Center

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

*PUBLIC ENTITY RISK POOL*

Ohio Healthcare Consortium

The Ohio Healthcare Consortium (the “Consortium”) is a voluntary employees’ beneficiary association under Section 501(C)(9) of the Internal Revenue Service Code. The Consortium was established on behalf of the Participating Members, the purpose of which was to create a self-insurance program designed to provide group health and other welfare benefits for Participating Members’ employees and their eligible dependents who are covered under the Plan, as permitted under Section 9.901 and 9.833 of the Ohio Revised Code. The current governing board consists of two members of the Board of the Educational Services Center of Central Ohio, and one member from The Educational Service Center Council of Governments. As members join the Consortium they will be entitled to representation on the Board in the form of one voting member. The Center is the predominant participant, therefore the activities related to the Consortium are reported in an internal service fund. The Consortium issues a publicly available, stand-alone financial report which may be obtained by writing to the Treasurer of the Educational Service Center of Central Ohio, 2080 Citygate Dr., 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the Center’s major governmental fund:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

*PROPRIETARY FUNDS*

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

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

*FIDUCIARY FUNDS*

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Center and for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

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

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

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

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

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

**D. Basis of Accounting**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

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

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

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

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**E. Budgetary Process**

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

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 2013. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated resources. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds.

**F. Cash and Cash Equivalents**

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

During fiscal year 2013, investments were limited to non-negotiable certificates of deposit (CDs) and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The Center has invested funds in STAR Ohio during fiscal year 2013. 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, 2013.

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 2013 amounted to \$21,939, which includes \$8,897 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**G. Capital Assets**

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

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

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>
Buildings	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**H. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 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.

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

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.

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

**J. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Governing Board (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**K. Net Position**

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

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

**L. Estimates**

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

**M. Operating Revenues and Expenses**

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

**N. Interfund Activity**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**O. Interfund Balances**

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and GASB Statement No. 66, “Technical Corrections-2012”.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Center.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Center.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Center.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Center’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the Center, the implementation of GASB Statement No. 65 has changed the classification of certain items, including the deferral of unavailable revenues, previously reported as liabilities to *deferred inflows of resources*.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Other grant	\$ 14,336
Race to the top	227,847
IDEA Part B	31,018
Preschool grant for the handicapped	11,474
Improving teacher quality	32,344

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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.

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.

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

**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. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all Center deposits was \$15,053,479. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$14,548,370 of the Center’s bank balance of \$15,698,370 was exposed to custodial risk as discussed below, while \$1,150,000 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2013, the Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 22,770	\$ 22,770

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

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

*Concentration of Credit Risk:* The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 22,770	100.00

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 15,053,479
Investments	22,770
Cash on hand	<u>750</u>
Total	<u>\$ 15,076,999</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 11,730,493
Agency funds	<u>3,346,506</u>
Total	<u>\$ 15,076,999</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2013, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 201,960

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

- B.** Interfund balances at June 30, 2013, as reported on the fund statements as loans to/from other funds, consist of the following individual long-term interfund loans receivable and payable:

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

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

- C.** Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,394
General fund	Internal service funds	150,000
Nonmajor governmental funds	General fund	70,252

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

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from nonmajor governmental funds were made in order to close-out various grant programs and transfer any residual monies to the general fund.

All transfers made in fiscal year 2013 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency funds	\$ 30,895

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

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2013 consisted of accounts and intergovernmental, which represent billings to school districts and other parties for user charged services, and loans. All receivables are considered collectible in full. A summary of the items of receivables reported on the statement of net position follows:

**Governmental activities:**

Accounts	\$ 402,089
Intergovernmental	9,511,727
Loans	<u>30,895</u>
	<u>\$9,944,711</u>

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

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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 575,181	\$ -	\$ -	\$ 575,181
Capital assets, not being depreciated	<u>575,181</u>	<u>-</u>	<u>-</u>	<u>575,181</u>
<i>Capital assets, being depreciated:</i>				
Buildings	3,690,221	-	-	3,690,221
Furniture and equipment	4,805,768	104,451	(453,153)	4,457,066
Vehicles	238,470	-	-	238,470
Total capital assets, being depreciated	<u>8,734,459</u>	<u>104,451</u>	<u>(453,153)</u>	<u>8,385,757</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(493,367)	(95,479)	-	(588,846)
Furniture and equipment	(3,472,831)	(332,013)	430,853	(3,373,991)
Vehicles	(171,552)	(16,009)	-	(187,561)
Total accumulated depreciation	<u>(4,137,750)</u>	<u>(443,501)</u>	<u>430,853</u>	<u>(4,150,398)</u>
Governmental activities capital assets, net	<u>\$ 5,171,890</u>	<u>\$ (339,050)</u>	<u>\$ (22,300)</u>	<u>\$ 4,810,540</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Special	\$ 40,342
<u>Support services:</u>	
Pupil	182
Instructional staff	16,075
Administration	154,275
Fiscal	2,710
Business	3,152
Operations and maintenance	37,228
Pupil transportation	7,572
Central	<u>181,965</u>
Accumulated depreciation	<u>\$ 443,501</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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, 2013, 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, 2013 was \$555,434 leaving a current book value of \$2,816,266. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2013 totaled \$211,000 and \$109,949, 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, 2013.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2014	\$ 320,347
2015	319,343
2016	318,917
2017	319,022
2018	318,637
2019 - 2022	<u>1,269,475</u>
Total minimum lease payments	2,865,741
Less: amount representing interest	<u>(503,741)</u>
Present value of minimum lease payments	<u>\$ 2,362,000</u>

**B. Capital Lease Agreement**

During fiscal year 2010, the Center entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of \$391,641. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation on the equipment as of June 30, 2013 was \$313,313 leaving a current book value of \$78,328. Principal payments in fiscal year 2013 totaled \$103,662 paid by the general fund.

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**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, 2013:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2014	\$ 8,873
Total minimum lease payments	8,873
Less: amount representing interest	<u>(32)</u>
Present value of minimum lease payments	<u>\$ 8,841</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u> <u>Outstanding</u> <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Outstanding</u> <u>06/30/13</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 1,935,625	\$ 743,873	\$ (591,203)	\$ 2,088,295	\$ 643,332
Capital lease	112,503	-	(103,662)	8,841	8,841
Lease purchase agreement	<u>2,573,000</u>	<u>-</u>	<u>(211,000)</u>	<u>2,362,000</u>	<u>220,000</u>
Total long-term obligations	<u>\$ 4,621,128</u>	<u>\$ 743,873</u>	<u>\$ (905,865)</u>	<u>\$ 4,459,136</u>	<u>\$ 872,173</u>

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

**NOTE 10 - RISK MANAGEMENT**

**A. General Risk**

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

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

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

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

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**

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

The claims liability of \$5,149 at June 30, 2013, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

	Balance <u>June 30, 2013</u>
Claims liability at beginning of year	\$ -
Incurred claims	74,475
Claims paid	<u>(69,326)</u>
Claims liability at end of year	<u>\$ 5,149</u>

**C. Health and Dental Insurance**

Effective October 1, 2012, all enrolled employees are covered under the Center's self-insurance plan for health and dental insurance, which is accounted for in an internal service fund. The Center pays 80% of contributions and employees pay 20%. These costs are allocated to the fund that pays the salary of the enrolled employee, and are accounted for as expenditures in the paying funds and charges for services in the internal service fund. The claims liability of \$866,592 at June 30, 2013, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

The following table provides a summary of changes in self-insurance claims for the past two fiscal years:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Balance</u> <u>June 30, 2012</u>
Claims liability at beginning of year	\$ 856,043	\$ 447,183
Incurred claims	6,750,870	7,055,965
Claims paid	<u>(6,740,321)</u>	<u>(6,647,105)</u>
Claims liability at end of year	<u>\$ 866,592</u>	<u>\$ 856,043</u>

Prior to October 1, 2012, the former Delaware Union Educational Service Center (DUESC) employees participated in The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (CDMU), a public entity shared risk pool. The Trust was organized as a voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code and provided medical, dental and life insurance benefits to the employees of the participants.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

Classified personnel accumulate vacation based on the following schedule:

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

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

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

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

**A. School Employees Retirement System**

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,025,290, \$1,249,890 and \$1,423,869, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

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

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

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**NOTE 12 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$2,308,420, \$2,313,741 and \$2,427,563, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$148,160 made by the Center and \$105,829 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, 2013, certain members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$155,769, \$230,142 and \$392,041, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$57,917, \$73,812 and \$91,629, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

Plan Description - The Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$177,571, \$177,980 and \$186,736, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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**NOTE 14 - STATE FUNDING**

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

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

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

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

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

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

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

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

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

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

**NOTE 16 - CONTINGENCIES**

**A. Grants and Other**

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. This also encompasses the Auditor of State on-going review over the former Superintendent's travel and credit card expenditures. However, in the opinion of management, any such disallowed claims or expenditures will not have a material adverse effect on the financial position of the Center at June 30, 2013.

**B. Litigation**

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

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 1,569,396
Nonmajor governmental	<u>1,533,132</u>
Total	<u>\$ 3,102,528</u>

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS**

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS - (Continued)**

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

**A. Summary of Significant Accounting Policies**

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

**Basis of Presentation** - The Council's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

**Measurement Focus** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operations are included on the statement of net position. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is defined as net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Council finances and meets the cash flow needs of its enterprise activities.

**Basis of Accounting** - Basis of accounting determines when a transaction is recorded in the financial records and reported on the financial statements. The statements are prepared using the full accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include grants, entitlements, and fees. Revenue from grants, entitlements, and fees 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 Council must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. Expenses are recognized at the time they are incurred.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS - (Continued)**

*Cash and Cash Equivalents* - Cash held by the Council is reflected as “cash and cash equivalents” on the statement of net position. All monies received by the Council are maintained in a demand deposit account. For internal accounting purposes, the Council segregates its cash. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months are reported as investments. During the current fiscal year, the Council held no investments.

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

*Net Position* - Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Council did not have any restricted net position at fiscal year end.

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

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

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

During fiscal year 2013 the Council in conjunction with the Center became fiscal agent for the assets and liabilities of The Educational Council. Founded in 1986, the Educational Council provides cross-district programs and services for the 16 public school districts in Franklin County, striving to enhance the lives of students, teachers and parents. During its first 15 years, the Council offered a variety of programs and services from the Safe and Drug Free Consortium (including the PPAAUS survey, assessing students' attitudes toward school, teachers and parents as well as substance abuse), the Math Science Collaborative (providing professional development opportunities to teachers in order to enhance instruction), the Christopher Program (now Mosaic, an innovative interdisciplinary humanities program for students) as well as After School and Student Leadership programs. In the last decade, the Council added several important initiatives, including the Metro School, which is now an independent public charter STEM school.

The assets and liabilities of The Educational Council are presented on the statement of net position as restricted assets and liabilities payable from restricted assets. The operations of The Educational Council are excluded from the statement of activities as the Council and the Center are acting custodians of The Educational Council.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS - (Continued)**

**C. Cash Deposits**

At June 30, 2013, the carrying amount of all Council deposits was \$2,002,220 and the bank balance was \$1,979,364. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$1,695,148 of the Council's bank balance of \$1,979,364 was exposed to custodial risk as discussed below, while \$284,216 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Council will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council.

**D. Receivables**

Receivables at June 30, 2013 consisted of amounts due from operations.

**E. Related Party Transactions**

The Council is a jointly governed entity between the Center and the Gahanna-Jefferson Public Schools. During fiscal year 2013, the Council received a \$550,000 loan from the Center. The loan was repaid prior to fiscal year end.

**F. Contingencies**

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

**G. Risk Management**

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

**H. Pension Plans**

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

Plan Description - The Council contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current Council rate is 14 percent of annual covered payroll. A portion of the Council's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 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 Council's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,452,707, \$1,643,545, and \$1,044,304, respectively; equal to 100 percent of the required contribution for each year.

*ii. State Teachers Retirement System of Ohio*

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS - (Continued)**

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Council was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 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 Council's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,273,288, \$1,214,519, and \$763,110, respectively; equal to 100% of the required contributions each year. Contributions to the DC and Combined Plans for fiscal year 2013 are available from the Treasurer's office upon request.

**I. Postemployment Benefits**

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

Plan Description - The Council participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 18 - SHARED SERVICES COUNCIL OF GOVERNMENTS - (Continued)**

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

The Council's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$298,018, \$218,642, and \$168,249, respectively, with 100 percent being contributed.

*ii. State Teachers Retirement System of Ohio*

Plan Description - The Council contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Council's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$162,378, \$112,777, and \$54,508, respectively, with 100 percent being contributed.

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Directly received from the U.S. Department of Education:</i>				
Fund for the Improvement of Education	2012	84.215X	\$ 79,037	\$ 79,037
Fund for the Improvement of Education	2013	84.215X	76,574	79,916
<i>Total Fund for the Improvement of Education</i>			<u>155,611</u>	<u>158,953</u>
Rehabilitation Services Demonstration and Training Programs	2012	84.235E	46,472	40,016
Rehabilitation Services Demonstration and Training Programs	2013	84.235E	52,980	59,838
<i>Total Rehabilitation services Demonstration and Training Programs</i>			<u>99,452</u>	<u>99,854</u>
<i>Passed Through the Chancellor of the Ohio Board of Regents</i>				
College Access Challenge Grant	2011	84.378A		10,463
<i>Total College Access Challenge Grant</i>			<u>-</u>	<u>10,463</u>
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States	2012	84.027	603,023	215,391
Special Education Grants to States	2013	84.027	2,239,236	2,146,715
Special Education-Preschool Grants	2012	84.173	25,986	1,118
Special Education-Preschool Grants	2013	84.173	83,555	86,413
<i>Total Special Education Cluster</i>			<u>2,951,800</u>	<u>2,449,637</u>
Special Education State Personnel Development	2012	84.323	45,658	13,603
Special Education State Personnel Development	2013	84.323	5,000	1,800
<i>Total Special Education State Personnel Development</i>			<u>50,658</u>	<u>15,403</u>
English Lanuguage Acquisition Grants	2012	84.365	8,119	1,802
English Lanuguage Acquisition Grants	2013	84.365	47,163	46,715
<i>Total English Language Acquisition Grants</i>			<u>55,282</u>	<u>48,517</u>
Improving Teacher Quality State Grants	2012	84.367	187,799	167,893
Improving Teacher Quality State Grants	2013	84.367	229,392	268,108
<i>Total Improving Teacher Quality State Grants</i>			<u>417,191</u>	<u>436,001</u>
ARRA - Race to the Top Incentive Grants	2012	84.395A	72,138	221,663
ARRA - Race to the Top Incentive Grants	2013	84.395A	864,810	922,641
<i>Total Race to the Top Incentive Grants</i>			<u>936,948</u>	<u>1,144,304</u>
<i>Passed Through Ohio Department of Health</i>				
Special Education - Grants for Infants and Families with Disabilities, (Help Me Grow, Part C)	2012	84.181	-	85,348
Special Education - Grants for Infants and Families with Disabilities, (Help Me Grow, Part C)	2013	84.181	55,304	55,304
<i>Total Early Intervention Services (IDEA)</i>			<u>55,304</u>	<u>140,652</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>4,722,246</u></b>	<b><u>4,503,784</u></b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Commission on Service and Volunteerism</i>				
AmeriCorps	2013	94.006	212,686	237,082

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<i>Passed through the Ohio Department of Job &amp; Family Services</i>				
Refugee and Entrant Assistance Discretionary Grants	2012	93.576	118,688	126,234
Refugee and Entrant Assistance Discretionary Grants	2013	93.576	16,606	16,607
<i>Total Refugee and Entrant Assistance Discretionary Grants</i>			<u>135,294</u>	<u>142,841</u>
Social Services Block Grants	2012	93.667	62,415	-
Social Services Block Grants	2013	93.667	45,450	44,238
<i>Total Social Services Block Grants</i>			<u>107,865</u>	<u>44,238</u>
<i>Passed through the Ohio Department of Mental Health</i>				
Promoting Safe and Stable Families- Title IV, Part B, Section subpart 2	2012	93.556	46,916	46,916
Promoting Safe and Stable Families- Title IV, Part B, Section subpart 2	2013	93.556	225,198	225,198
<i>Total Promoting Safe and Stable Families- Title IV, Part B, Section subpart 2</i>			<u>272,114</u>	<u>272,114</u>
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	2012	93.768	-	81
<i>Passed through the Ohio Department of Health</i>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	2012	93.505	9,709	-
<i>Passed through the Ohio Department of Developmental Disabilities</i>				
Maternal and Child Health Federal Consolidated Programs	2012	93.110	76,159	51,353
Maternal and Child Health Federal Consolidated Programs	2013	93.110	-	57,203
			<u>76,159</u>	<u>108,556</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b><u>813,827</u></b>	<b><u>804,912</u></b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>Passed through the Ohio Department of Developmental Disabilities</i>				
WIA Adult Program	2012	17.258	24,878	16,650
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b><u>24,878</u></b>	<b><u>16,650</u></b>
<b>TOTALS</b>			<b><u>\$ 5,560,951</u></b>	<b><u>\$ 5,325,346</u></b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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

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# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio, (the Center) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 13, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 13, 2014



# Dave Yost • Auditor of State

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

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

To the Governing Board:

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

We have audited the Educational Service Center of Central Ohio's (the Center's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Educational Service Center of Central Ohio's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal programs.

### ***Management's Responsibility***

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

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

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

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

### ***Basis for Qualified Opinion on the Special Education Cluster and Race to the Top Incentive Grants***

As described in finding 2013-002 in the accompanying schedule of findings, the Center did not comply with requirements regarding cash management applicable to its Special Education Cluster and Race to the Top Incentive Grants major federal programs. Compliance with this requirement is necessary, in our opinion, for the Center to comply with requirements applicable to these programs.

### ***Qualified Opinion on Special Education Cluster and Race to the Top Incentive Grants***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster and Race to the Top Incentive Grants* paragraph, the Educational Service Center of Central Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education and Race to the Top grant programs for the year ended June 30, 2013.

### ***Unmodified Opinion on the Other Major Federal Programs***

In our opinion, the Educational Service Center of Central Ohio complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-001. This finding did not require us to modify our compliance opinion on each major federal program.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-002 to be a material weakness.

The Center's responses to our internal control over compliance findings are described in the accompanying schedule of findings. We did not audit the Center's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 13, 2014

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EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified <ul style="list-style-type: none"> <li>• Improving Teacher Quality State Grants</li> <li>• AmeriCorps</li> </ul> Qualified <ul style="list-style-type: none"> <li>• Special Education Cluster</li> <li>• Race to the Top Incentive Grants</li> </ul>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster (CFDA #84.027, 84.173)  ARRA/Race to the Top Incentive Grants (CFDA #84.395)  Improving Teacher Quality State Grants (CFDA #84.367)  Americorps (CFDA # 94.006)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

**1. Schedule of Federal Awards Receipts and Expenditures**

<b>Finding Number</b>	2013-001
<b>CFDA Title and Number</b>	Improving Teacher Quality State Grants– 84.367  Race to the Top Incentive Grants – 84.395  AmeriCorps – 94.006
<b>Federal Award Number / Year</b>	2012/2013
<b>Federal Agency</b>	U.S. Department of Education U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Education Ohio Commission on Service and Volunteerism

**Noncompliance**

**OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, (the Circular)**, sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular provides the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) provides, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements. At a minimum, the schedule shall:

1. List in individual Federal programs by Federal agency. For Federal programs included in a cluster of program, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal Agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA number information is not available.

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**1. Schedule of Federal Awards Receipts and Expenditures (Continued)**

4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amounts provided to subrecipients from each federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of the insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

The original federal awards expenditures prepared by the Center required the following adjustments:

1. A reduction in the amount of \$19,989 to remove expenditures reported for Improving Teacher Quality, CFDA# 84.367.
2. A reduction in the amount of \$459,743 to remove expenditures reported for Race to the Top Incentive Grants, CFDA# 84.395.
3. A reduction in the amount of \$89,536 to remove expenditures reported for AmeriCorps, CFDA# 94.006.

The Center has made these adjustments to the Schedule of Federal Awards Receipts and Expenditures. We also noted similar errors in several non-major programs.

We recommend the Center implement procedures to track and readily identify the disbursement of all federal awards. The Center should use this information to ensure accurate preparation of the schedule of federal awards receipt and expenditures at year end.

**Official's Response:**

Management acknowledges our responsibility to accurately complete the Schedule of Federal Awards (Schedule). As noted in all comments above, we over reported expenditures in our Schedule due to the following:

1. We inadvertently picked up monies transferred from one project year to the next project year, based on authorization from the grantor.
2. We picked up certain agreements that were initially considered Federal monies but after further investigation from our auditors were determined to be non-federal.
3. On one grant with matching requirements, we picked up the local match expenditures as part of the total federal expenditures.

We will implement additional controls at June 30, 2014 to address the items above in preparation of our next Schedule.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**2. Cash Management**

<b>Finding Number</b>	2013-002
<b>CFDA Title and Number</b>	Special Education Cluster--CFDA #84.027, 84.173 Race to the Top Incentive Grants – 84.395
<b>Federal Award Number / Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness**

**34 C.F.R. 80.21(c)** prescribes the standards and methods under which a federal agency will make payments to grantees, and grantees will make payments to sub-grantees and contractors, and provides in part, that grantees shall be paid in advance, provided they have procedures in place to minimize the time elapsing between the transfer of funds and disbursement by the grantee.

The Ohio Department of Education prescribes a time period of 30 days in which its sub-grantees must fully expend each advance of federal funds. Amounts requested are limited to forecasted needs for the following thirty-day period.

While the Center has implemented controls to ensure compliance with this cash management requirement, we noted the following grant receipts which were not fully expended within thirty days of receipt:

<b>Grant Award</b>	<b>Number of Days Outstanding longer than 30 days</b>	<b>Receipt Amount</b>	<b>Date Received</b>	<b>Date Fully Expended</b>
Special Education Cluster	5	\$220,818.00	03/07/13	04/11/13
Special Education Cluster	19	\$256,716.55	06/06/13	07/25/13
Special Education Cluster	109	\$3,580.00	10/12/12	02/28/13
Special Education Cluster	90	\$358.00	10/31/12	02/28/13
Race to the Top	57	\$40,000	10/15/12	01/10/13
Race to the Top	51	\$40,000	03/18/13	06/07/13

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**2. Cash Management**

**Noncompliance and Material Weakness (Continued)**

We recommend the Center expend each grant receipt within the prescribed thirty day period from the date received. The Center should consider completing cash forecasting or use a sub-ledger to ensure the full amount of receipts is expended before 30 days.

**Official's Response:**

Management acknowledges that the Ohio Department of Education requires us to estimate cash needs and draw down monies no further in advance of 30 days of estimated expenditures. However, we received correspondence in the Form of "CCIP Note #306," in May of 2013 from the Ohio Department of Education that states the following: "To ensure timely payment, the Office of Grants Management must receive your July cash request by the following dates:

- Paper PCRs by June 6, 2013
- CCIP PCRs by noon June 13, 2013

Thus we requested our July 2014 needs for our Special Education Cluster and received such draw down June 6, 2013. All monies for the July Special Education Cluster needs were expended by the July 25 date listed above.

After taking in consideration of the aforementioned "CCIP Note #306," 99.2% of our Special Education Cluster dollars listed above were spent within the 30 day period.

As far as the Race to the Top dollars listed above, we pulled down the original allowable 10% of the initial grant approval, however due to changes in the timing of work being performed, such monies were not expended within the appropriate 30 days.

We will continue to monitor the timing of our cash request in order to comply with ODE's cash management requirements to the best of our ability.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	Management will implement additional procedures to contact third parties to ensure funds listed on the Federal Schedule of Awards are Federal dollars as well as review the schedule for any other potential inaccuracies.	September 30, 2014	Alan Hutchinson
2013.-002	Management will continue to monitor cash request to Grantor Agencies to ensure compliance with cash Management Requirements	June 30, 2014	Alan Hutchinson

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	College Access Challenge Grant – The Center did not have effective internal controls to facilitate compliance with cash management, sub-recipient monitoring, or reporting.	No	Finding no longer valid.
2012-002	Improving Teacher Quality – The Center did not have effective internal controls to ensure funds were only spent for allowable purposes.	Yes	

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# Dave Yost • Auditor of State

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 27, 2014