

**EDUCATIONAL SERVICE CENTER
COUNCIL OF GOVERNMENTS**

*(A COMPONENT UNIT OF THE
EDUCATIONAL SERVICE CENTER
OF CENTRAL OHIO)*

FRANKLIN COUNTY

REGULAR AUDIT

JULY 1, 2013 – JUNE 30, 2014





Dave Yost • Auditor of State

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

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

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

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

Dave Yost
Auditor of State

April 29, 2015

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**EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS
FRANKLIN COUNTY**

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Educational Service Center Council of Governments, Franklin County, Ohio, a component unit of the Educational Service Center of Central Ohio (the Council), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council'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 Council'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 Council'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Educational Service Center Council of Governments, Franklin County as of June 30, 2014, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
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Educational Service Center Council of Governments
Franklin County
Independent Auditor's Report

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2014, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

December 26, 2014
Newark, Ohio

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

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

The management's discussion and analysis of the Educational Service Center Council of Governments (the Council), a jointly governed entity between the Educational Service Center of Central Ohio (Center) and the Gahanna-Jefferson Public School District (Gahanna), provides an overall review of the Council's financial activities for the period July 1, 2013 through June 30, 2014. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance. Fiscal year 2009 was the first fiscal year of operations, with operations beginning on September 3, 2008. The primary operations of the Council are to employ personnel on behalf of other governmental entities and Agencies throughout Central Ohio.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position at June 30, 2014 was \$614,842; this represents an increase of \$56,888 compared to the prior fiscal year.
- Operating revenues were \$52,771,672; this represents an increase of \$10,358,257.

Agency Activities

The Council, in conjunction with the Educational Service Center of Central Ohio, acts as fiscal agent for the assets and liabilities of the Educational Council. Founded in 1986, the Educational Council provides cross-district programs and services for the 16 public Council 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 Council, 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 Council and Student Leadership programs.

The assets and liabilities of the Educational Council are presented on the statement of net position as restricted assets and liabilities. The operations of the Educational Council are excluded from the statement of revenues, expenses and changes in net position, as well as the statement of cash flows, as the Council and the Educational Service Center of Central Ohio are acting custodians of the Educational Council. Effective July 1, 2014 the Educational Council voted to transfer all of its operations to the Council and Center.

Using the Basic Financial Statements

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 Council's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the Council finances and meets the cash flow needs of its operations.

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

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

Reporting the Council Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the Council perform financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Council's net position and changes in net position. This change in net position is important because it tells the reader that, for the Council as a whole, the financial position of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-18 of this report.

The table below provides a summary of the Council's net position at June 30, 2014 and 2013.

Net Position		
	2014	2013
<u>Assets</u>		
Current assets	\$ 5,088,227	\$ 3,417,401
Restricted assets	1,285,929	980,156
Noncurrent assets	373,305	-
Total assets	6,747,461	4,397,557
<u>Liabilities</u>		
Current liabilities	4,473,385	2,859,447
Restricted liabilities	1,285,929	980,156
Noncurrent liabilities	373,305	-
Total liabilities	6,132,619	3,839,603
<u>Net position</u>		
Unrestricted	614,842	557,954
Total net position	\$ 614,842	\$ 557,954

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Council's assets exceeded liabilities by \$614,842, all of which is unrestricted in use.

Current assets for the Council consist primarily of cash and cash equivalents and receivables from operations. The Council's noncurrent assets are receivables that are not expected to be received within one year. Current liabilities are mostly accrued wages and benefits and amounts due to other governmental entities. The noncurrent liabilities reported at June 30, 2014 represent the long-term portion of the Council's compensated absences liability. As noted previously, the assets and liabilities of the Educational Council are presented as restricted assets and restricted liabilities.

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

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

The following table shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	2014	2013
<u>Operating revenues:</u>		
Charges for services	\$ 52,771,672	\$ 42,413,415
Total operating revenues	52,771,672	42,413,415
<u>Operating expenses:</u>		
Personnel services	41,823,436	33,737,497
Employee benefits	10,799,561	8,523,528
Other	91,787	66,411
Total operating expenses	52,714,784	42,327,436
Change in net position	56,888	85,979
Net position at the beginning of the fiscal year	557,954	471,975
Net position at the end of the fiscal year	\$ 614,842	\$ 557,954

The Council operates as a business-type enterprise fund. Results of the period ended June 30, 2014 indicate an increase in net position of \$56,888. Charges for services revenue is primarily the cost of employing personnel on behalf of other entities. Personnel services expenses consist of employee salaries and wages. Employee benefits consist primarily of the Council's share of employees' health and dental insurance premiums and the Council's required contributions to the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS).

Budget

Regional Council of Governments are not subject to the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Assets and Debt Administration

The Council maintains no capital assets and has not issued any debt.

Economic Factors

The Council's ongoing activities are primarily dependent upon the continued support of the Educational Service Center of Central Ohio. Management is currently unaware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on financial position or results of operations.

Operations

The Council is a legally separate body politic and corporate served by an appointed three-member Board of Directors. The Board is made up of representatives from Gahanna-Jefferson Public Schools, Delaware City Schools and the Educational Service Center of Central Ohio. The goal is to serve those entities that are served by the Center. The Council provides employment services to other governmental entities on a contractual basis.

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

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

Requests for Information

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information contact Alan Hutchinson, Treasurer of the Educational Service Center of Central Ohio, 2080 Citygate Drive, Columbus, Ohio 43219.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,528,309
Receivables	3,559,918
Restricted assets:	
Cash held on behalf of others.	1,204,257
Receivables	81,672
Total current assets.	6,374,156
Noncurrent assets:	
Receivables.	373,305
Total noncurrent assets	373,305
Total assets.	6,747,461
 Liabilities:	
Current liabilities:	
Accounts payable	862
Accrued wages and benefits	2,795,392
Due to other governments	1,318,507
Compensated absences.	358,624
Payables from restricted assets.	1,285,929
Total current liabilities	5,759,314
Noncurrent liabilities:	
Compensated absences.	373,305
Total noncurrent liabilities	373,305
Total liabilities	6,132,619
 Net position:	
Unrestricted.	614,842
Total net position	\$ 614,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Operating revenues:	
Charges for services.	\$ 52,771,672
Total operating revenues.	52,771,672
 Operating expenses:	
Personnel services.	41,823,436
Employee benefits.	10,799,561
Purchased services.	5,597
Materials and supplies.	7,494
Other.	78,696
Total operating expenses.	52,714,784
Operating income and change in net position.	56,888
Net position at beginning of fiscal year.	557,954
Net position at end of fiscal year	\$ 614,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Cash flows from operating activities:	
Cash received from customers.	\$ 51,154,866
Cash payments for personnel services.	(40,262,047)
Cash payments for employee benefits	(10,345,079)
Cash payments for purchased services.	(8,411)
Cash payments for materials and supplies	(33,316)
Cash payments for other expenses	(78,688)
	<hr/>
Net cash provided by operating activities.	427,325
	<hr/>
Net increase in cash and cash equivalents	427,325
Cash and cash equivalents at beginning of fiscal year	1,100,984
Cash and cash equivalents at end of fiscal year.	<u><u>\$ 1,528,309</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 56,888
Changes in assets and liabilities:	
Increase in receivables	(1,616,806)
Decrease in accounts payable.	(28,698)
Increase in accrued wages and benefits.	828,986
Increase in due to other governments.	455,026
Increase in compensated absences payable	731,929
	<hr/>
Net cash provided by operating activities.	<u><u>\$ 427,325</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY

The Educational Service Center Council of Governments (the Council), doing business as the Shared Services Council of Governments, is a legally separate body politic and corporate served by an appointed three-member Board of Directors and 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 Educational Service Center of Central Ohio (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 Council is a component unit of the Center; the Center appoints a majority of the Council's Governing Board.

The Council participates in a public entity shared risk pool to provide health and dental benefits to its employees. See Note 13 for additional detail.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus

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

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

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

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

C. Basis of Accounting

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

D. Budgetary Process

Regional Council of Governments are not subject to the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

E. Cash and Cash Equivalents

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

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

F. Capital Assets

The Council maintains no capital assets.

G. Net Position

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

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

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

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

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

H. Compensated Absences

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

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

I. Accrued Liabilities and Long-Term Obligations

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

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (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.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Council. Operating expenses are necessary cost 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.

L. Extraordinary and Special Items

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

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

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

NOTE 3 - AGENCY ACTIVITIES / RESTRICTED ASSETS AND LIABILITIES

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

The assets and liabilities of the Educational Council are presented on the statement of net position as restricted assets and liabilities. The operations of the Educational Council are excluded from the statement of revenues and expenses and changes in net position, as well as the statement of cash flows, as the Council and the Educational Service Center of Central Ohio are acting custodians of the Educational Council. Effective July 1, 2014 the Educational Council voted to transfer all its operations to the Council and Center.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

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

NOTE 5 - CASH DEPOSITS

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

Custodial credit risk is the risk that, in the event of bank failure, the School'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 School. The School 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 School to a successful claim by the FDIC.

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

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

NOTE 6 - RECEIVABLES

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

NOTE 7 - LONG-TERM LIABILITIES

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

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

NOTE 8 - RELATED PARTY TRANSACTIONS

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

NOTE 9 - CONTINGENCIES

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

NOTE 10 - RISK MANAGEMENT

A. General Risk

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

B. Workers' Compensation

Workers' compensation coverage is provided by the State of Ohio. The Council pays the Bureau of Workers' Compensation a premium based on a rate per \$100 of payroll. This rate is calculated based on accident history and administrative costs.

NOTE 11 - PENSION PLANS

A. 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, under "Employers/Audit Resources".

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

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

NOTE 11 - PENSION PLANS - (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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Council's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,634,250, \$2,452,707 and \$1,643,545, respectively; 100 percent has been contributed for each fiscal year.

B. 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, 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.

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

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

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

NOTE 11 - PENSION PLANS - (Continued)

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Council participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

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

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

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

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

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

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

B. 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, under "Publications" or by calling (888) 227-7877.

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

NOTE 13 - PUBLIC ENTITY SHARED RISK POOL

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

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

NOTE 14 - SUBSEQUENT EVENT

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



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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Educational Service Center Council of Governments, Franklin County, a component unit of the Educational Service Center of Central Ohio (the Council) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 26, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council'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 Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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

Compliance and Other Matters

As part of reasonably assuring whether the Council'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 Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shuman & Sauer, Inc.

December 26, 2014
Newark, Ohio

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Dave Yost • Auditor of State

SHARED SERVICES COUNCIL OF GOVERNMENTS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2015**