# $\begin{array}{c} \textbf{BASIC FINANCIAL STATEMENTS} \\ (AUDITED) \end{array}$

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



# Mary Taylor, CPA Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Franklin County Educational Service Center, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 to June 30, 2007. 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 Franklin County Educational Service Center is responsible for compliance with these laws and regulations.

Mary Taylor, CPA Auditor of State

Mary Taylor

March 4, 2008



### EDUCATIONAL SERVICE CENTER OF FRANKLIN COUNTY

### BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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# Julian & Grube, Inc.

Serving Ohio Local Governments

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

### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Franklin County, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Educational Service Center of Franklin County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center of Franklin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Franklin County, Franklin County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

### Independent Auditor's Report Educational Service Center of Franklin County

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007, on our consideration of the Educational Service Center of Franklin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

For the budgetary comparison information and notes, we have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.

Julian & Sube the

December 31, 2007

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The discussion and analysis of the Educational Service Center of Franklin County's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities decreased \$220,660 which represents a 1.60% decrease from 2006.
- General revenues accounted for \$4,482,079 in revenue or 11.97% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$32,959,482 or 88.03% of total revenues of \$37,441,561.
- The Center had \$37,662,221 in expenses related to governmental activities; \$32,959,482 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$4,482,079 were not adequate to provide for these programs.
- The Center's major governmental funds include the general fund and Title VI-B fund. The general fund had \$30,336,122 in revenues and other financing sources and \$30,470,537 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance decreased \$134,415 from \$7,512,560 to \$7,378,145.
- The Title VI-B fund had \$5,649,862 in revenues and other financing sources and \$6,109,343 in expenditures. During fiscal 2007, its fund balance decreased \$459,481 from a fund balance of \$478,958 to \$19,477.

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

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

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### Reporting the Center as a Whole

### Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the Center's programs and services, including instruction, support services, and other operations.

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

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

### Fund Financial Statements

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

### Governmental Funds

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

### **Proprietary Funds**

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### Reporting the Center's Fiduciary Responsibilities

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

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-45 of this report.

### The Center as a Whole

The Statement of Net Assets provides the perspective of the Center as a whole.

The table below provides a summary of the Center's net assets for 2007 and 2006.

### **Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 16,620,098	\$ 16,889,172
Capital assets	5,701,055	1,511,488
Total assets	22,321,153	18,400,660
<u>Liabilities</u>		
Current liabilities	4,037,327	3,645,981
Long-term liabilities	4,681,087	931,280
Total liabilities	8,718,414	4,577,261
Net Assets		
Invested in capital		
assets, net of related debt	2,201,055	1,511,488
Restricted	3,662,927	4,365,463
Unrestricted	7,738,757	7,946,448
Total net assets	\$ 13,602,739	\$ 13,823,399

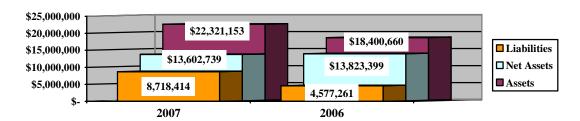
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Center's assets exceeded liabilities by \$13,602,739. Of this total, \$7,738,757 is unrestricted in use.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

At year-end, capital assets represented 25.54% of total assets. Capital assets include buildings, furniture and equipment and vehicles. Capital assets, net of related debt at June 30, 2007, were \$2,201,055. These capital assets are used to provide the Center's services and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net assets, \$3,662,927, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$7,738,757 may be used to meet the Center's ongoing obligations to the students and creditors.

### **Governmental Activities**



The table below shows the change in net assets for fiscal year 2007 and 2006.

### **Change in Net Assets**

	Governmental Activities 2007	Governmental Activities 2006
Revenues		
Program revenues:		
Charges for services and sales	\$ 22,952,725	\$ 23,070,347
Operating grants and contributions	10,006,757	9,860,270
General revenues:		
Grants and entitlements	3,894,353	3,807,185
Investment earnings	514,574	363,343
Other	73,152	50,109
Total revenues	\$ 37,441,561	\$ 37,151,254

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Governmental Activities	Governmental Activities 2006
<u>Expenses</u>		
Program expenses:		
Instruction:		
Special	\$ 142,073	\$ 10,529,221
Vocational	10,869,610	174,766
Other	232,465	=
Support services:		
Pupil	471,314	424,003
Instructional staff	14,435,349	11,979,926
Board of education	117,392	100,711
Administration	8,100,161	7,123,037
Fiscal	1,238,778	764,116
Business	259,002	199,542
Operations and maintenance	986,982	2,019,276
Pupil transportation	28,930	105,814
Central	546,943	445,795
Operations of non-instructional services	150,619	102,073
Interest and fiscal charges	82,603	
Total expenses	37,662,221	33,968,280
Change in net assets	(220,660)	3,182,974
Net assets at beginning of year	13,823,399	10,640,425
Net assets at end of year	\$ 13,602,739	\$ 13,823,399

### **Governmental Activities**

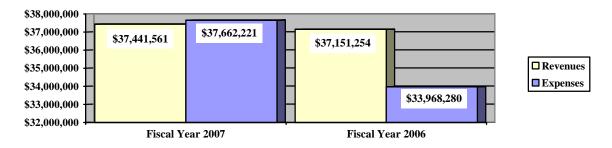
Net assets of the Center's governmental activities decreased \$220,660. Total governmental expenses of \$37,662,221 were offset by program revenues of \$32,959,482 and general revenues of \$4,482,079. Program revenues supported 87.51% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from contracted fees for services provided to other entities. This revenue source represents 61.30% of total governmental revenue.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2007 and 2006

### **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**

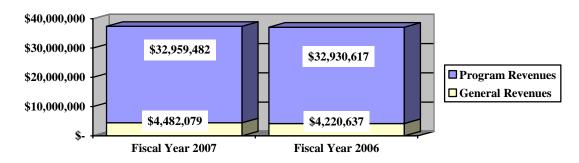
	Total Cost of Services  2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Special	\$ 142,073	\$ (104,138)	\$ 10,529,221	\$ (245,740)
Vocational	10,869,610	193,231	174,766	174,694
Other	232,465	232,465	-	-
Support services:				
Pupil	471,314	91,111	424,003	321,029
Instructional staff	14,435,349	484,249	11,979,926	(2,449,156)
Board of education	117,392	117,392	100,711	100,711
Administration	8,100,161	1,959,911	7,123,037	666,301
Fiscal	1,238,778	705,084	764,116	514,259
Business	259,002	(207,803)	199,542	(225,447)
Operations and maintenance	986,982	622,210	2,019,276	1,719,516
Pupil transportation	28,930	28,930	105,814	105,814
Central	546,943	487,026	445,795	386,871
Operations of non-instructional services	150,619	10,468	102,073	(31,189)
Interest and fiscal charges	82,603	82,603	<u> </u>	<u> </u>
Total expenses	\$ 37,662,221	\$ 4,702,739	\$ 33,968,280	\$ 1,037,663

For all governmental activities, program revenue support is 87.51% at June 30, 2007 and 96.95% at June 30, 2006. The primary support of the Center is contracted fees for services provided to other districts.

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the Center's governmental activities revenue for fiscal year 2007 and 2006.

### **Governmental Activities - General and Program Revenues**



### The Center's Funds

The Center's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$9,360,238, which is lower than last year's total of \$9,501,868. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	\$ 7,378,145	\$ 7,512,560	\$ (134,415)
Title VI-B	19,477	478,958	(459,481)
Other Governmental	1,962,616	1,510,350	452,266
Total	\$ 9,360,238	\$ 9,501,868	\$ (141,630)

### General Fund

The Center's general fund balance decreased in fiscal 2007 \$134,415. The decrease in fund balance can be attributed to a decrease in customer services revenue and an increase in regular instruction and instructional staff expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	2007	2006	Percentage
	Amount	Amount	Change
Revenues			
Tuition	\$ 11,283,587	\$ 11,173,288	0.99 %
Customer services	10,932,213	11,646,279	(6.13) %
Earnings on investments	514,574	363,343	41.62 %
Intergovernmental	3,894,353	3,807,185	2.29 %
Other revenues	211,395	45,613	363.45 %
Total	\$ 26,836,122	\$ 27,035,708	(0.74) %
<b>Expenditures</b>			
Instruction	\$ 10,684,252	\$ 9,643,004	10.80 %
Support services	16,123,943	15,128,420	6.58 %
Facilities acquisition and construction	3,503,318		100.00 %
Total	\$ 30,311,513	\$ 24,771,424	22.36 %

Customer services revenues decreased due to less revenues received from cross-categorical programs provided to the local and city school districts the Center serves. Earnings on investments increased as a result of higher interest rates. The Center received \$147,144 in rental income during fiscal year 2007, resulting in an increase to other local revenues. The increase in instruction and support services is due to overall increasing wage and benefits expenditures. The increase in facilities acquisition and construction is due to the Center entering into a lease purchase agreement.

### Title VI-B Fund

During fiscal 2007, the Title VI-B fund balance decreased \$459,481. The decrease in fund balance can be attributed to an increase of instructional staff expenditures during the year. Revenues and other financing sources totaled \$5,649,862 and expenditures totaled \$6,109,343 during fiscal 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### **Capital Assets and Debt Administration**

### Capital Assets

At the end of fiscal 2007, the Center had \$5,701,055 invested in land, buildings, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

# Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		
	2007	2006	
Land	\$ 128,300	\$ -	
Buildings	3,327,950	-	
Furniture and equipment	2,153,935	1,428,644	
Vehicles	90,870	82,844	
Total	\$ 5,701,055	\$ 1,511,488	

Total additions to capital assets for 2007 were \$4,741,805. A total of \$541,884 in depreciation expense was recognized and disposals were \$10,354 (net or accumulated depreciation) for fiscal 2007. The \$4,189,567 increase in capital assets is from the lease-purchase agreement entered into during fiscal year 2007 to finance the purchase of the building the Center is currently situated in.

The graphs below present the Center's capital assets for fiscal 2007 and fiscal 2006.

Vehicles

1.59%

# Capital Assets - Governmental Activities 2007 Capital Assets - Governmental Activities 2006 Furniture and equipment 37.78% Furniture Furniture

and

equipment

94.52%

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### Debt Administration

At June 30, 2007 the Center had \$3,500,000 in a lease purchase agreement outstanding. Of this total, \$170,000 is due within one year and \$3,330,000 is due within greater than one year. The following table summarizes the lease purchase agreement outstanding.

### Outstanding Debt, at Year End

	Governmental Activities 2007	Governmental Activities 2006
Lease Purchase Agreement	\$ 3,500,000	\$ -
Total	\$ 3,500,000	<u>\$ -</u>

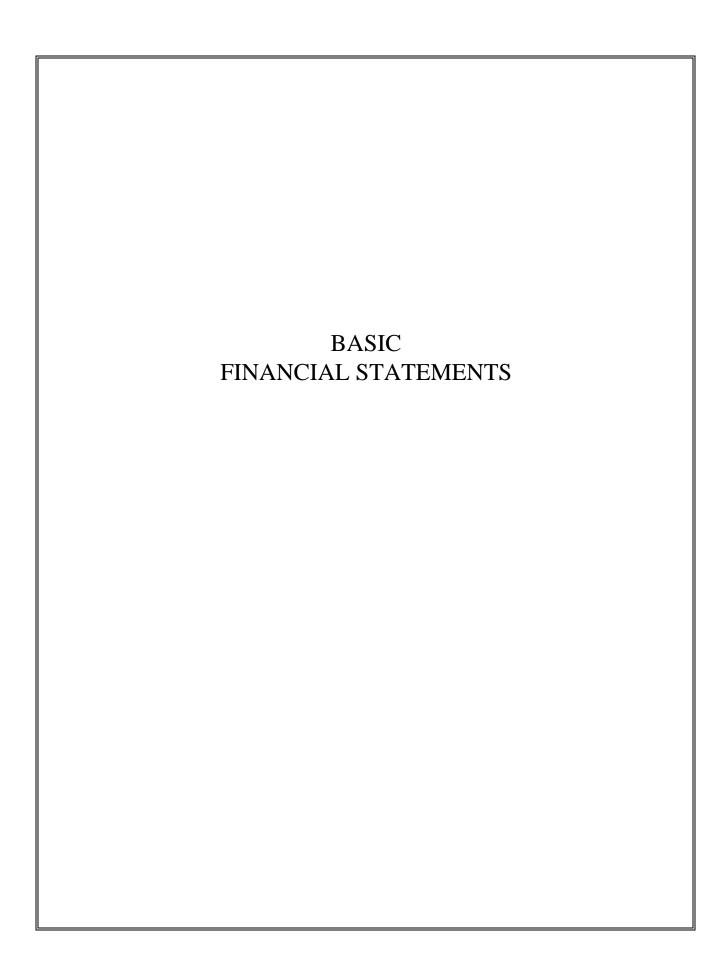
See Note 9 to the basic financial statements for detail on the Center's debt administration.

### **Current Financial Related Activities**

The Center is in a stable financial position at the end of June 2007. The Governing Board has a Permanent Improvement fund to cover possible future office space needs or payment of office building rental, and future technology equipment needs. Legislative requirements for the development of Ohio Educational Regional Service System will have an impact on educational service centers in the future. At this time it is impossible to determine what effect this legislation will have on the Educational Service Center of Franklin County.

### **Contacting the Center's Financial Management**

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



### STATEMENT OF NET ASSETS JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 11,515,235
Receivables:	
Accounts	60,692
Intergovernmental	4,666,304
Accrued interest	29,585
Materials and supplies inventory	2,107
Prepayments	23,281
Loans	322,894
Capital assets:	
Land	128,300
Depreciable capital assets, net	5,572,755
Capital assets, net	5,701,055
Total assets	22,321,153
Liabilities:	
Accounts payable	380,698
Accrued wages and benefits	2,604,214
Intergovernmental payable	603,269
Claims payable	436,150
Accrued interest payable	12,996
Long-term liabilities:	,,
Due within one year	658,044
Due in more than one year	4,023,043
Bue in more than one year	4,023,043
Total liabilities	8,718,414
Net Assets:	
Invested in capital assets, net	
of related debt	2,201,055
Restricted for:	
Capital projects	676,703
Locally funded programs	29,330
State funded programs	1,168,369
Federally funded programs	1,785,963
Student activities	320
Public school support	2,242
Unrestricted	7,738,757
Cinconicied	
Total net assets	\$ 13,602,739

# STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

		Prograi	m Revenues	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities: Instruction:				
Regular	\$ 142,073	\$ -	\$ 246,211	\$ 104,138
Special	10,869,610	10,603,521	72,858	(193,231)
Vocational	232,465	-	-	(232,465)
Support services:				, , ,
Pupil	471,314	-	380,203	(91,111)
Instructional staff	14,435,349	11,180,658	2,770,442	(484,249)
Board of education	117,392	-	-	(117,392)
Administration	8,100,161	454,234	5,686,016	(1,959,911)
Fiscal	1,238,778	80,372	453,322	(705,084)
Business	259,002	466,805	-	207,803
Operations and maintenance	986,982	147,144	217,628	(622,210)
Pupil transportation	28,930	-	-	(28,930)
Central	546,943	19,991	39,926	(487,026)
Operation of non-instructional				
services	150,619	-	140,151	(10,468)
Interest and fiscal charges	82,603			(82,603)
Total governmental activities	\$ 37,662,221	\$ 22,952,725	\$ 10,006,757	(4,702,739)
	General Revenues: Grants and entitlement			
		18		3,894,353
				514,574
	Miscellaneous			73,152
	Total general revenu	ies		4,482,079
	Change in net assets .			(220,660)
	Net assets at beginning	ng of year		13,823,399
	Net assets at end of y	ear		\$ 13,602,739

### BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	General	Title VI-B	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash	ф. 0.255.054	Φ.	Φ 1001250	Φ. 10.250.222
and cash equivalents	\$ 8,277,854	\$ -	\$ 1,981,379	\$ 10,259,233
Receivables:	55 c 10		<b>50</b>	55 coo
Accounts	57,642	- 4 520 510	50	57,692
Intergovernmental	1,312,105	1,520,510	1,833,689	4,666,304
Accrued interest	29,585	-	-	29,585
Interfund loans	343,156	-	-	343,156
Due from other funds	264,661	-	-	264,661
Advances to other funds	26,962	-	-	26,962
Materials and supplies inventory	2,107	-	-	2,107
Prepayments	23,281	-	-	23,281
Loans	322,894			322,894
Total assets	\$ 10,660,247	\$ 1,520,510	\$ 3,815,118	\$ 15,995,875
Liabilities:				
Accounts payable	\$ 118,298	\$ 127,950	\$ 134,350	\$ 380,598
Accrued wages and benefits	2,282,578	222,488	89,847	2,594,913
Intergovernmental payable	505,395	35,488	60,795	601,678
Interfund loan payable	-	-	343,156	343,156
Due to other funds	-	39,245	225,416	264,661
Advances from other funds	-	1,950	25,012	26,962
Deferred revenue	375,831	1,073,912	973,926	2,423,669
Total liabilities	3,282,102	1,501,033	1,852,502	6,635,637
Fund Balances:				
Reserved for encumbrances	596,706	374,560	967,021	1,938,287
supplies inventory	2,107	_	_	2,107
Reserved for prepayments	23,281	_	_	23,281
Reserved for advances	26,962	_	_	26,962
Unreserved, undesignated, reported in:	20,702			20,502
General fund	6,729,089	-	-	6,729,089
Special revenue funds	-	(355,083)	318,892	(36,191)
Capital projects funds			676,703	676,703
Total fund balances	7,378,145	19,477	1,962,616	9,360,238
Total liabilities and fund balances	\$ 10,660,247	\$ 1,520,510	\$ 3,815,118	\$ 15,995,875

# RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES JUNE 30, 2007

Total governmental fund balances		\$ 9,360,238
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,701,055
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds. Customer services Intergovernmental revenue	\$ 375,881 2,047,788	
Total		2,423,669
Internal service funds are used by management to charge the costs of insurance and the Leadership Academy to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		811,860
In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, interest is expensed when due.		(12,996)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.  Compensated absences  Lease purchase agreement  Total	 (1,181,087) (3,500,000)	 (4,681,087)
Net assets of governmental activities		\$ 13,602,739

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Title VI-B	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	\$ 11,283,587	\$ -	\$ -	\$ 11,283,587
Customer services	10,932,213	-	1,279,575	12,211,788
Earnings on investments	514,574	-	-	514,574
Rental income	147,144	-	-	147,144
Other local revenues	64,251	-	1,675	65,926
Intergovernmental - State	3,894,353	-	3,937,312	7,831,665
Intergovernmental - Federal		5,649,861	774,146	6,424,007
Total revenue	26,836,122	5,649,861	5,992,708	38,478,691
Expenditures:				
Current:				
Instruction:			1.42.072	1.42.072
Regular	10.452.026	-	142,073	142,073
Special	10,453,926	114,083	1,037,529	11,605,538
Vocational	230,326	-	-	230,326
Support services:	254		110.004	460.050
Pupil	356,654	1.002.666	112,224	468,878
Instructional staff	12,042,252	1,002,666	1,458,640	14,503,558
Board of education	117,392	-		117,392
Administration	1,434,161	4,550,847	2,147,417	8,132,425
Fiscal	695,666	193,487	343,203	1,232,356
Business	255,001	-	-	255,001
Operations and maintenance	762,537	248,260	7,037	1,017,834
Pupil transportation	52,940	-	-	52,940
Central	407,340	-	51,617	458,957
Operation of non-instructional services	-	-	201,202	201,202
Facilities acquisition and construction	3,503,318	-	39,500	3,542,818
Debt service:				
Interest and fiscal charges			69,607	69,607
Total expenditures	30,311,513	6,109,343	5,610,049	42,030,905
Excess of revenues under expenditures	(3,475,391)	(459,482)	382,659	(3,552,214)
Other financing sources (uses):				
Transfers in	-	1	69,607	69,608
Transfers (out)	(159,024)	-	-	(159,024)
Lease purchase agreement	3,500,000			3,500,000
Total other financing sources (uses)	3,340,976	1_	69,607	3,410,584
Net change in fund balances	(134,415)	(459,481)	452,266	(141,630)
Fund balances at beginning of year	7,512,560	478,958	1,510,350	9,501,868
Fund balances at end of year	\$ 7,378,145	\$ 19,477	\$ 1,962,616	\$ 9,360,238

# 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, 2007

Net change in fund balances - total governmental funds		\$ (141,630)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions Current year depreciation	4,741,805 (541,884)	
Total		4,199,921
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(10,354)
Proceeds of lease purchase agreements are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement of net assets.		(3,500,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Customer services Intergovernmental revenue	(464,099) (573,031)	
Total		(1,037,130)
The internal service funds used by management to charge the costs of insurance and the Leadership Academy to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		557,178
		337,176
In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, an interest expenditure is reported when due.		(12,996)
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.	_	(275,649)
Change in net assets of governmental activities	<u>.</u>	\$ (220,660)

### STATEMENT OF NET ASSETS PROPRIETARY FUND JUNE 30, 2007

	Governmental Activities - Internal Service Funds	
Assets:		
Current assets:		
Equity in pooled cash		
and cash equivalents	\$	1,256,002
Receivables:		
Accounts		3,000
Total assets		1,259,002
Liabilities:		100
Accounts payable		100
Accrued wages and benefits		9,301
Intergovernmental payable		1,591
Claims payable		436,150
Total liabilities		447,142
Net assets:		
Unrestricted		811,860
Total net assets	\$	811,860

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Governmental Activities - Internal Service Funds	
Operating revenues:		
Charges for services	\$ 4,692,490	
Other	16,139	
Total operating revenues	4,708,629	
Operating expenses:		
Personal services	87,298	
Purchased services	6,878	
Materials and supplies	981	
Claims	4,119,402	
Other	26,308	
Total operating expenses	4,240,867	
Operating income	467,762	
Transfer in	89,416	
Change in net assets	557,178	
Net assets at beginning of year	254,682	
Net assets at end of year	\$ 811,860	

### STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Ac Inter	ernmental tivities - nal Service Funds
Cash flows from operating activities:		
Cash received from charges for services	\$	4,713,932
Cash received from other operations		13,139
Cash payments for personal services		(76,406)
Cash payments for contractual services		(6,878)
Cash payments for purchased services		(881)
Cash payments for claims		(4,076,751)
Cash payments for other expenses		(26,308)
Net cash provided by		
operating activities		539,847
Cash flows from noncapital financing activities:		
Transfers in		89,416
Net cash provided by noncapital		
financing activities		89,416
Net increase in cash and cash equivalents		629,263
Cash and cash equivalents at beginning of year		626,739
Cash and cash equivalents at end of year	\$	1,256,002
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	467,762
Changes in assets and liabilities:		
Decrease in accounts receivable		18,442
Increase in accounts payable		100
Increase in accrued wages payable		9,301
Increase in intergovernmental payable		1,591
Increase in claims payable		42,651
Net cash provided by		
operating activities	\$	539,847

### STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND JUNE 30, 2007

	 Agency	
Assets:		
Equity in pooled cash		
and cash equivalents	\$ 2,068,726	
Receivables:		
Intergovernmental	 1,200,336	
Total assets	\$ 3,269,062	
Liabilities:		
Accounts payable	\$ 284,029	
Accrued wages and benefits	141,575	
Compensated absences payable	46,447	
Intergovernmental payable	2,474,117	
Loans payable	 322,894	
Total liabilities	\$ 3,269,062	

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### NOTE 1 - DESCRIPTION OF THE CENTER

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

The Center operates under a locally-elected five member Governing Board form of government and provides educational services as mandated by state or federal agencies. The Governing Board controls the Center's staff that provides services to over 89,204 students and other community members in Franklin County.

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

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

The Center is located in Columbus, Ohio and is staffed by 41 administrators, 222 certified and 394 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, "<u>The Financial Reporting Entity</u>", as amended by GASB Statement No. 39 "<u>Determining Whether Certain Organizations are Component Units</u>". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations and student related activities of the Center.

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise have access to organization's resources; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the Center has no component units. The basic financial statements of the reporting entity include only those of the Center (the primary government). The following organizations are described due to their relationship with the Center.

The ESC is fiscal agent for the Franklin County Family and Children First Council (the "Council"). The ESC is responsible for receiving and disbursing funds at the direction of the Council. This entity is legally separate from the ESC. The ESC is 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 ESC's basic financial statements. The funds invested on behalf of the Council have been included in the basic financial statements as "Equity in Pooled Cash and Cash Equivalents".

### JOINTLY GOVERNED ORGANIZATIONS

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

<u>Central Ohio Special Education Regional Resource Center (the "SERRC")</u> - The SERRC is a special education service center and is a part of the Ohio Department of Education. The Center selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

### **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.

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

### GOVERNMENTAL FUNDS

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

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

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

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

### PROPRIETARY FUNDS

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

<u>Internal Service Funds</u> - 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 a self-insurance program which provides medical benefits to employees and the Leadership Academy program.

### FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency fund accounts for various resources held for other organizations and individuals.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

### C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Center's internal service funds is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative 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.

<u>Revenues - Exchange and Non-exchange Transactions</u> - 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.

Nonexhange 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.

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

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

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

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

<u>Expenses/Expenditures</u> - 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. Allocation of cost, such as depreciation and amortization, is not recognized in governmental funds.

### E. Budgetary Process

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

In fiscal year 2004, the Center requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board approve appropriations and estimated resources. The ESC'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. Budgetary information for the general fund and the major special revenue fund has been presented as supplementary information to the basic financial statements.

### F. Cash and Investments

To improve cash management, cash received by the Center is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2007, investments were limited to federal agency securities, and investments in the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exception: investment contracts that had a remaining maturity of one year or less at the time of purchase are reported at amortized cost.

The Center has invested funds in STAR Ohio during fiscal 2007. 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 share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$514,574, which includes \$181,334 assigned from other Center funds.

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

### G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption.

### H. Capital Assets

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

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

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:

Governmental

	Activities
Description	Estimated Lives
Building	40 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

### I. 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.

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

### J. 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 are recognized as a liability on the fund financial statements when due.

### K. Fund Balance Reserves

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

### L. Net Assets

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

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

#### M. Prepayments

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

#### N. Estimates

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

#### N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Center, these revenues are charges for services for self-insurance programs and the Leadership Academy. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

#### O. Interfund Activity

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

#### P. Interfund Balances

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

#### Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

#### **Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u></u>	<u>Deficit</u>
Nonmajor Funds		
Head Start	\$	2,450
Title I		438
Title V		3,953

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

#### A. Cash on Hand

At year-end, the Center had \$750 in undeposited cash on hand which is included on the financial statements of the Center as part of "Equity in Pooled Cash and Cash Equivalents."

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

#### **B.** Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all Center deposits was \$9,329,440. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$11,111,715 of the Center's bank balance of \$11,517,720 was exposed to custodial risk as discussed below, while \$406,005 was covered by Federal Deposit Insurance Corporation.

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

#### C. Investments

As of June 30, 2007, the Center had the following investments and maturities:

		Investment
		Maturities
		6 months or
<u>Investment type</u>	Fair Value	less
FNMA DN	\$3,957,375	\$ 3,957,375
STAR Ohio	296,396	296,396
Total	\$4,253,771	\$ 4,253,771

The weighted average maturity of investments is .07 years.

*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: The Center's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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, 2007:

<u>Investment type</u>	Fair Value	% to Total
FNMA DN	\$ 3,957,375	93.03
STAR Ohio	296,396	6.97
Total	\$ 4,253,771	100.00

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

Cash and Investments per footnote	
Carrying amount of deposits	\$ 9,329,440
Investments	4,253,771
Cash on hand	 750
Total	\$ 13,583,961
Cash and Investments per Statement of Net Assets	
Governmental activities	\$ 11,515,235
Agency funds	 2,068,726
Total	\$ 13,583,961

#### **NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual short-term interfund loans receivable and payable:

Receivable Fund	Payable fund	Amount
General	Nonmajor governmental funds	\$ 343,156

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

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**B.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual long-term advances to/from other funds:

Receivable Fund	Payable fund	Amount
General	Title VI-B	\$ 1,950
General	Nonmajor governmental funds	25,012

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.

**C.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following amounts due to/from other funds:

Receivable Fund	Payable Fund	 Amount
General fund	Title VI-B	\$ 39,245
General fund	Nonmajor governmental funds	225,416

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

**D.** Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

<u>Transfers from General fund to:</u>	<u>A</u>	mount
Title VI-B	\$	1
Nonmajor governmental funds		69,607
Leadership Academy internal service fund		89,416

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.

**E.** Loans between governmental funds and agency funds are reported as "loans receivable/payable" on the financial statements. The Center had the following loan outstanding at fiscal year end:

<u>Loan From</u>	<u>Loan To</u>	Amount
General	Agency	\$ 322,894

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

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **NOTE 6 - RECEIVABLES**

Receivables at June 30, 2007 consisted of intergovernmental (billings to school Centers for user charged services), accounts (charges for individual tuition on other services) and accrued interest. All receivables are considered collectible in full. A summary of the items of receivables reported on the statement of net assets follows:

#### **Governmental Activities:**

Accounts \$ 60,692 Intergovernmental 4,666,304 Accrued interest 29,585

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

#### **NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance			Balance
	06/30/06	Additions	<u>Deductions</u>	06/30/07
Capital assets, not being depreciated: Land	\$ -	\$ 128,300	\$ -	\$ 128,300
Land	<u>Ψ -</u>	φ 120,300	Ψ -	<del>\$ 126,300</del>
Capital assets, not being depreciated		128,300		128,300
Capital assets, being depreciated:				
Buildings	-	3,371,700	-	3,371,700
Furniture and equipment	3,054,140	1,217,795	(41,536)	4,230,399
Vehicles	210,637	24,010		234,647
Total capital assets, being depreciated	3,264,777	4,613,505	(41,536)	7,836,746
Less: accumulated depreciation:				
Buildings	-	(43,750)	_	(43,750)
Furniture and equipment	(1,625,496)	(482,150)	31,182	(2,076,464)
Vehicles	(127,793)	(15,984)		(143,777)
Total accumulated depreciation	(1,753,289)	(541,884)	31,182	(2,263,991)
Governmental activities capital assets, net	\$ 1,511,488	\$ 4,199,921	\$ (10,354)	\$ 5,701,055

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction</u> :	
Special	\$ 96,327
Support Services:	
Instructional staff	26,896
Administration	211,450
Fiscal	9,791
Business	15,369
Operations and maintenance	84,613
Central	95,039
Operation of non-instructional	
services	 2,399
Total depreciation expense	\$ 541,884

#### NOTE 8 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

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. This lease meets the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. At June 30, 2007, capital assets acquired by lease purchase have been capitalized under land and buildings in the amount of \$128,300 and \$3,371,700, respectively. Accumulated depreciation on buildings as of June 30, 2007 was \$43,750 leaving a current book value of \$3,327,950. Lease-purchase payments have been reflected as debt service expenditures in the nonmajor debt service fund. Interest payments in fiscal year 2007 totaled \$69,607.

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, 2007.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### NOTE 8 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

Fiscal Year Ending	
June 30,	<u>Total</u>
2008	\$ 322,169
2009	321,438
2010	321,373
2011	320,951
2012	321,151
2013 - 2017	1,598,578
2018 - 2022	1,588,112
Total minimum lease payments	4,793,772
Less: amount representing interest	(1,293,772)
Present value of minimum lease payments	\$ 3,500,000

#### **NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding 06/30/06	<u>Additions</u>	Reductions	Balance Outstanding _06/30/07	Amounts Due in One Year
Compensated absences Lease purchase	\$ 931,280	\$ 674,006	\$ (424,199)	\$ 1,181,087	\$ 488,044
agreement		3,500,000		3,500,000	170,000
Total long-term obligations	\$ 931,280	\$4,174,006	\$ (424,199)	\$ 4,681,087	\$ 658,044

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

#### **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.

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The Center maintains replacement cost insurance on building contents in the amount of \$2,223,500 with supplemental coverage for computers and classroom equipment in the amount of \$480,000. Other insurance includes hired non-owned auto coverage for employees using their vehicles for Center business.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

#### B. Workers' Compensation Liability-Public Entity Risk Pool

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

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

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

#### C. Health and Dental Insurance

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

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

A summary of changes in self-insurance claims:

	Balance	Balance		
	June 30, 2007	June 30, 2006		
Claims liability at beginning of year	\$ 393,499	\$ 498,976		
Incurred claims	4,119,402	3,483,163		
Claims paid	(4,076,751)	(3,588,640)		
Claims liability at end of year	\$ 436,150	\$ 393,499		

#### **NOTE 11 - COMPENSATED ABSENCES**

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

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

Classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1 - 9	10
10 - 19	15
20 - Beyond	20

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

For all employees, retirement severance is paid to each employee retiring from the Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement up to a maximum of thirty (30) days for employees with less than eight years of service and a maximum of fifty (50) days for employees with eight years or more of service.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **NOTE 12 - PENSION PLANS**

#### A. School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, <a href="https://www.ohsers.org">www.ohsers.org</a>, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Center's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$1,268,956, \$1,035,537, and \$909,969, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005.

#### B. State Teachers Retirement System

The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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 recommendation 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 fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,546,632, \$1,473,812, \$1,306,303, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$51,362 made by the Center and \$67,940 made by plan members.

#### C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The Center's liability is 6.2% of wages paid.

#### **NOTE 13 - POSTEMPLOYMENT BENEFITS**

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$118,972 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

#### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, Center paid \$541,745 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

#### **NOTE 14 - STATE FUNDING**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### NOTE 15 - OPERATING LEASE - LESSEE DISCLOSURE

During fiscal year 2006, the Center leased from Marble Lake II LLC approximately 35,000 square feet of office space situated within the office building constructed at 2080 Citygate Drive, Columbus, Ohio. The lease commenced on April 11, 2006 and will expire five years after the construction of the building is completed. Annual rent for the first year of the lease is \$227,500 or \$6.50 per square foot and monthly rent is \$18,958. Annual rent for the second through fifth year is \$315,000 or \$9.00 per square foot and monthly rent is \$26,250. Commencing the sixth month of the lease term the Center has the option to purchase the building for \$3,515,000. In December 2006, the Center purchased the property through a lease-purchase agreement (see Note 8 for detail).

#### **NOTE 16 - CONTINGENCIES**

#### A. Grants

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

#### B. Litigation

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



# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Revenues         Revenues           Tomitocal sources:         \$8.8965,502         \$8.9865,502         \$11,967,518         \$3.002,016           Customer services         9,817,647         9,817,647         11,180,902         2,363,255           Earnings on investments         250,000         250,000         511,601         261,601           Rental income         30,000         50,000         72,616         22,615           Other local revenues         50,000         50,000         72,616         22,615           Integovermental- State         387,200         3,894,353         22,152           Total revenues         22,955,350         22,955,350         27,774,134         4,818,784           Total revenues         21,333,333         22,155         22,155         22,955,350         218,335         218,335         218,335         218,335         218,335         218,335         218,335         218,335		 Budgeted	l Amo	unts				riance with nal Budget Positive
Person local sources:   Tuition		Original		Final		Actual	(	
Tuition.         \$ 8,965,502         \$ 8,965,502         \$ 11,967,518         \$ 3,002,016           Customer services.         9,817,647         9,817,647         11,180,902         1,363,255           Earnings on investments.         250,000         250,000         511,601         261,601           Rental income         1         147,144         147,144           Other local revenues.         50,000         50,000         72,616         22,616           Intergovernmental - State         3,872,201         3,872,201         3,894,353         22,152           Total revenue.         22,955,350         22,955,350         27,774,134         4,818,784           Expenditures:         Current:		 <u>Jigmui</u>		1 111111		Tictuui		reguire)
Earnings on investments.         250,000         511,601         261,601           Rental income         147,144         147,144           Other local revenues.         50,000         50,000         72,616         22,616           Intergovernmental: State         3,872,201         3,872,201         3,894,353         22,152           Total revenue.         22,955,350         22,955,350         27,74,134         4,818,784           Expenditures:           Current:           Instruction:           Special.         10,356,080         10,418,935         10,418,935         -           Support services:           Pupil.         409,586         395,520         395,520         -           Support services:         1         1,400,586         395,520         395,520         -           Pupil.         409,586         395,520         395,520         -           Instructional staff         8,883,243         12,252,577         12,252,577         1,252,577         -           Board of education         1,647,22         1175,573         1,75,573         -           Fiscal         6622,459         765,597         765,597         -	Tuition	\$ , , ,	\$		\$		\$	
Rental income         1         147,144         147,144           Other local revenues.         50,000         50,000         72,616         22,615           Intergovernmental- State         3,872,201         3,872,201         3,894,353         22,152           Total revenue.         22,955,350         22,955,350         27,774,134         4,818,784           Expenditures:           Current:           Instruction:           Special.         10,356,080         10,418,935         10,418,935         -           Vocational.         159,080         218,335         218,335         -           Support services:           Pupil.         409,586         395,520         395,520         -           Instructional staff         8,883,243         12,252,577         12,252,577         -           Board of education         164,722         175,573         175,573         -           Fiscal         622,459         765,597         765,597         -           Fiscal         622,459         765,597         765,597         -           Pupil transportation         43,500         57,627         57,627         -      <								
Other local revenues.         50,000         50,000         72,616         22,615           Intergovernmental - State.         3,872,201         3,872,201         3,894,353         22,152           Total revenue.         22,955,350         22,955,350         27,774,134         4,818,784           Expenditures:           Current:           Instruction:           Special.         10,356,080         10,418,935         10,418,935         -           Vocational.         159,080         218,335         218,335         -           Support services:           Pupil.         409,586         395,520         395,520         -           Instructional staff         8,883,243         12,252,577         12,252,577         -           Instructional staff         8,883,243         12,252,577         12,555,572         -           Board of education         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Fiscal         622,459         765,597         765,597         -           Pupil transportation         43,500         51,627 <td< th=""><th>Č</th><th>-</th><th></th><th>-</th><th></th><th>,</th><th></th><th></th></td<>	Č	-		-		,		
Transport   Tran		50,000		50,000		*		,
Expenditures	Intergovernmental - State	 3,872,201		3,872,201		3,894,353		
Current:   Instruction:   Special.   10,356,080   10,418,935   10,418,935   218,335   328,935   328,935   328,935   328,935   328,935   328,935   328,935   328,935   328,935   328,935   339,520	Total revenue	22,955,350		22,955,350		27,774,134		4,818,784
Instruction: Special.   10,356,080   10,418,935   10,418,935   2   10,41	Expenditures:							
Special.         10,356,080         10,418,935         10,418,935         -           Vocational.         159,080         218,335         218,335         -           Support services:         -         -         -           Pupil.         409,586         395,520         395,520         -           Instructional staff         8,883,243         12,252,577         12,252,577         -           Board of education         164,722         175,573         175,573         -           Administration.         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction         -         3,503,318         3,503,318         -           Total expenditures         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>								
Vocational         159,080         218,335         218,335           Support services:         Support services:         Pupil.         409,586         395,520         395,520         -           Instructional staff         8,883,243         12,252,577         12,252,577         -           Board of education         164,722         175,573         175,573         -           Administration         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction         -         3,503,318         3,503,318         -           Total expenditures         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under)         2         4,925,549         30,982,007         30,982,007         - <th< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></th<>								
Support services:         Pupil.         409,586         395,520         395,520         -           Pupil.         409,586         395,520         395,520         -           Instructional staff         8,883,243         12,252,577         12,252,577         -           Board of education         164,722         175,573         175,573         -           Administration.         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction         -         3,503,318         3,503,318         -           Total expenditures         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Excess of revenues over (under)           expenditures         (1,970,199)         (8,026,657)         (3,207,873) <td< td=""><td>*</td><td></td><td></td><td></td><td></td><td></td><td></td><td>-</td></td<>	*							-
Pupil.         409,586         395,520         395,520           Instructional staff         8,883,243         12,252,577         12,252,577         -           Board of education         164,722         175,573         175,573         -           Administration.         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures         24,925,549         30,982,007         30,982,007         -           excess of revenues over (under)         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other inancing sources (uses):           Refund of prior year's expenditures         3,000         3,000         14,739         11,739		159,080		218,335		218,335		-
Instructional staff   8,883,243   12,252,577   12,252,577   12,00000   14,739   11	**	400 586		305 520		305 520		
Board of education         164,722         175,573         175,573         -           Administration.         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance.         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under)         expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -	*	,		· · · · · · · · · · · · · · · · · · ·		,		_
Administration.         1,892,051         1,496,307         1,496,307         -           Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance.         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures.         (1,970,199)         (8,026,657)         30,982,007         -           Excess of revenues over (under) expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's receipts.         (1,000)         (774)         (774)         -           Lease purchase agreement.         -								_
Fiscal         622,459         765,597         765,597         -           Business         347,874         281,768         281,768         -           Operations and maintenance         1,432,352         897,605         897,605         -           Pupil transportation         43,500         57,627         57,627         -           Central         614,602         518,845         518,845         -           Facilities acquisition and construction         -         3,503,318         3,503,318         -           Total expenditures         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under)         expenditures         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000           Transfers (out)         6         (1,000)         500,000         669,572         169,572           Advances (out)         (6		,		,		,		-
Operations and maintenance.         1,432,352         897,605         897,605         -           Pupil transportation.         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures.         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under)         expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000           Transfers (out)         50,00         500,000         669,572         169,572           Advances in.         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds. <td>Fiscal</td> <td>622,459</td> <td></td> <td>765,597</td> <td></td> <td>765,597</td> <td></td> <td>-</td>	Fiscal	622,459		765,597		765,597		-
Pupil transportation         43,500         57,627         57,627         -           Central.         614,602         518,845         518,845         -           Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures.         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under) expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000           Transfers (out)         -         (159,024)         (159,024)         -           Advances in.         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds         (300,000)         -         -         -           Total other financing sources (uses)         (398,000)	Business	347,874		281,768		281,768		-
Central.         614,602         518,845         518,845         -           Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures.         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under) expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000           Transfers (out)         -         (159,024)         (159,024)         -           Advances in.         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds         (300,000)         -         -         -           Total other financing sources (uses)         (398,000)         (305,033)         3,376,278         3,681,311           Net change in fund balance	-			,		,		-
Facilities acquisition and construction.         -         3,503,318         3,503,318         -           Total expenditures.         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under) expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000         3,500,000           Transfers (out)         -         -         (159,024)         (159,024)         -         -           Advances in.         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds         (300,000)         -         -         -         -           Total other financing sources (uses)         (398,000)         (305,033)         3,376,278         3,681,311           Net change in fund balance         (2,368,199)         (8,331,690)		,				,		-
Total expenditures         24,925,549         30,982,007         30,982,007         -           Excess of revenues over (under) expenditures         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000         3,500,000         3,500,000         3,500,000         169,572         169,572         169,572         169,572         169,572         169,572         Advances (out)         (600,000)         648,235)         (648,235)         -		614,602				*		-
Excess of revenues over (under) expenditures.	1	 -						
expenditures.         (1,970,199)         (8,026,657)         (3,207,873)         4,818,784           Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000           Transfers (out)         -         (159,024)         (159,024)         -           Advances in.         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds         (300,000)         -         -         -           Total other financing sources (uses)         (398,000)         (305,033)         3,376,278         3,681,311           Net change in fund balance         (2,368,199)         (8,331,690)         168,405         8,500,095           Fund balance at beginning of year         6,957,782         6,957,782         6,957,782         -           Prior year encumbrances appropriated         708,626         708,626         708,626         -	Total expenditures	 24,925,549	-	30,982,007	-	30,982,007		
Other financing sources (uses):           Refund of prior year's expenditures.         3,000         3,000         14,739         11,739           Refund of prior year's (receipts)         (1,000)         (774)         (774)         -           Lease purchase agreement         -         -         3,500,000         3,500,000           Transfers (out)         -         (159,024)         (159,024)         -           Advances in         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds         (300,000)         -         -         -           Total other financing sources (uses)         (398,000)         (305,033)         3,376,278         3,681,311           Net change in fund balance         (2,368,199)         (8,331,690)         168,405         8,500,095           Fund balance at beginning of year         6,957,782         6,957,782         6,957,782         -           Prior year encumbrances appropriated         708,626         708,626         708,626         -								
Refund of prior year's expenditures.       3,000       3,000       14,739       11,739         Refund of prior year's (receipts)       (1,000)       (774)       (774)       -         Lease purchase agreement       -       -       3,500,000       3,500,000         Transfers (out)       -       (159,024)       (159,024)       -         Advances in       500,000       500,000       669,572       169,572         Advances (out)       (600,000)       (648,235)       (648,235)       -         Other uses of funds       (300,000)       -       -       -         Total other financing sources (uses)       (398,000)       (305,033)       3,376,278       3,681,311         Net change in fund balance       (2,368,199)       (8,331,690)       168,405       8,500,095         Fund balance at beginning of year       6,957,782       6,957,782       6,957,782       -         Prior year encumbrances appropriated       708,626       708,626       708,626       -	expenditures	 (1,970,199)	-	(8,026,657)	-	(3,207,873)		4,818,784
Refund of prior year's (receipts)       (1,000)       (774)       (774)       -         Lease purchase agreement       -       -       -       3,500,000       3,500,000         Transfers (out)       -       (159,024)       (159,024)       -         Advances in       500,000       500,000       669,572       169,572         Advances (out)       (600,000)       (648,235)       (648,235)       -         Other uses of funds       (300,000)       -       -       -         Total other financing sources (uses)       (398,000)       (305,033)       3,376,278       3,681,311         Net change in fund balance       (2,368,199)       (8,331,690)       168,405       8,500,095         Fund balance at beginning of year       6,957,782       6,957,782       6,957,782       -         Prior year encumbrances appropriated       708,626       708,626       708,626       -	Other financing sources (uses):							
Lease purchase agreement       -       -       3,500,000       3,500,000         Transfers (out)       -       (159,024)       (159,024)       -         Advances in       500,000       500,000       669,572       169,572         Advances (out)       (600,000)       (648,235)       (648,235)       -         Other uses of funds       (300,000)       -       -       -         Total other financing sources (uses)       (398,000)       (305,033)       3,376,278       3,681,311         Net change in fund balance       (2,368,199)       (8,331,690)       168,405       8,500,095         Fund balance at beginning of year       6,957,782       6,957,782       6,957,782       -         Prior year encumbrances appropriated       708,626       708,626       708,626       -		,		,		· · · · · · · · · · · · · · · · · · ·		11,739
Transfers (out)         -         (159,024)         (159,024)         -           Advances in.         500,000         500,000         669,572         169,572           Advances (out)         (600,000)         (648,235)         (648,235)         -           Other uses of funds.         (300,000)         -         -         -           Total other financing sources (uses)         (398,000)         (305,033)         3,376,278         3,681,311           Net change in fund balance         (2,368,199)         (8,331,690)         168,405         8,500,095           Fund balance at beginning of year.         6,957,782         6,957,782         6,957,782         -           Prior year encumbrances appropriated.         708,626         708,626         708,626         -		(1,000)		(774)		` '		-
Advances in.       500,000       500,000       669,572       169,572         Advances (out)       (600,000)       (648,235)       (648,235)       -         Other uses of funds       (300,000)       -       -       -         Total other financing sources (uses)       (398,000)       (305,033)       3,376,278       3,681,311         Net change in fund balance       (2,368,199)       (8,331,690)       168,405       8,500,095         Fund balance at beginning of year       6,957,782       6,957,782       6,957,782       -         Prior year encumbrances appropriated       708,626       708,626       708,626       -	1 5	-		(150.024)				3,500,000
Advances (out)		500,000		. , ,		, , ,		160 572
Other uses of funds.         (300,000)         -         -         -           Total other financing sources (uses)         (398,000)         (305,033)         3,376,278         3,681,311           Net change in fund balance         (2,368,199)         (8,331,690)         168,405         8,500,095           Fund balance at beginning of year         6,957,782         6,957,782         6,957,782         -           Prior year encumbrances appropriated         708,626         708,626         708,626         -						*		109,372
Total other financing sources (uses)       (398,000)       (305,033)       3,376,278       3,681,311         Net change in fund balance       (2,368,199)       (8,331,690)       168,405       8,500,095         Fund balance at beginning of year       6,957,782       6,957,782       6,957,782       -         Prior year encumbrances appropriated       708,626       708,626       708,626       -				(046,233)		(046,233)		-
Net change in fund balance		 		(305,033)		3,376,278		3,681,311
Prior year encumbrances appropriated         708,626         708,626         708,626         -								
Prior year encumbrances appropriated         708,626         708,626         708,626         -	Fund balance at beginning of year.	6.957 782		6.957 782		6.957 782		_
								_
		\$ 	\$		\$		\$	8,500,095

# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) TITLE VI-B

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	 Budgeted	Amo	unts				ariance with inal Budget Positive
	Original	Final		Actual		(Negative)	
Revenues:							
Intergovernmental - Federal	\$ 7,871,232	\$	7,871,232	\$	6,368,076	\$	(1,503,156)
Total revenue	 7,871,232		7,871,232	-	6,368,076		(1,503,156)
Expenditures:							
Current:							
Instruction:							
Special	139,449		139,449		113,379		26,070
Support services:							
Instructional staff	1,230,007		1,175,397		960,901		214,496
Administration	5,896,331		5,831,209		4,924,079		907,130
Fiscal	266,423		273,982		250,412		23,570
Operations and maintenance	 290,033		293,205		279,977		13,228
Total expenditures	 7,822,243		7,713,242		6,528,748		1,184,494
Excess of revenues over (under)							
expenditures	 48,989		157,990		(160,672)		(318,662)
Other financing (uses):							
Advances out	-		-		(383,457)		(383,457)
Total other financing (uses)	 -		-		(383,457)		(383,457)
Net change in fund balance	48,989		157,990		(544,129)		(702,119)
Fund balance (deficit) at beginning of year	(734,169)		(734,169)		(734,169)		-
Prior year encumbrances appropriated	736,149		736,149		736,149		-
Fund balance (deficit) at end of year	\$ 50,969	\$	159,970	\$	(542,149)	\$	(702,119)

#### BUDGETARY NOTES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **NOTE 1 - BUDGETARY PROCESS**

The ESC is no longer required under State statute to file budgetary information with the State Department of Education. However, the ESC Board does follow the budgetary process for control purposes.

The ESC's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The ESC Governing 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 Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Governing Board during the fiscal year.

#### NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - for the General Fund and Title VI-B are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

- 1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- 4. Advances In and Advance Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

#### BUDGETARY NOTES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and Title VI-B fund:

	<u>General</u>	Title VI-B
Budget basis	\$ 168,405	\$ (544,129)
Net adjustment for revenue accruals	(938,012)	(718,215)
Net adjustment for expenditure accruals	(37,208)	(83,499)
Net adjustment for other sources/(uses)	(35,302)	383,458
Adjustment for encumbrances	707,702	502,904
GAAP basis	<u>\$ (134,415)</u>	\$ (459,481)

#### EDUCATION SERVICE CENTER OF FRANKLIN COUNTY SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SUB GR	AL GRANTOR/ ANTOR/ AM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
	PARTMENT OF EDUCATION THROUGH				
	Foreign Language Assistance	84.293	N/A	\$ 6,593	\$ 62,142
	<b>Total Foreign Language Assistance</b>			6,593	62,142
PASSEL	PARTMENT OF EDUCATION O THROUGH EPARTMENT OF EDUCATION				
(C)	Title I Grants to Local Educational Agencies	84.010	046938-C1ST-07	5,968	5,896
	Total Title I Grants to Local Educational Agencies			5,968	5,896
(B) (B) (B) (B) (B)	Special Education Cluster: Special Education_Grants to States	84.027 84.027 84.027 84.027 84.027 84.027	046938-6BEC-2005 046938-6BSX-2006 046938-6BPB-2006 046938-6BPT-2007 046938-6BSI-2007	75,960 172,490 174,519 538,505 325,182 10,219	75,526 169,535 161,800 317,770 478,852 22,932
(B) (B) (B) (B)	Special Education_Grants to States	84.027 84.027 84.027 84.027	046938-SIRI-2006 046938-6BSV-2005 046938-6BSV-2006 046938-6BSV-2007	534,757 1,687,868 1,118,772 1,725,742	462,250 1,633,005 1,043,014 1,669,760
	Total Special Education _Grants to States			6,364,014	6,034,444
(B) (B) (B) (B) (B)	Special Education_Preschool Grants	84.173 84.173 84.173 84.173 84.173 84.173	046938-PGD2-2005 046938-PGD2-2006 046938-PGD3-2005 046938-PGD3-2007 046938-PGS1-2006 046938-PGS1-2007	185,150 26,250 13,313 7,859 18,787	127,803 183,452 5,164 16,881 7,859 29,119
	Total Special Education_Preschool Grants			251,359	370,278
	Total Special Education Cluster			6,615,373	6,404,722
	State Grants for Innovative Programs State Grants for Innovative Programs State Grants for Innovative Programs	84.298 84.298 84.298	046938-CMA1-2005 046938-CMA1-2006 046938-C2A5-2006	7,910 10,500 13,582	34,757 10,500 16,860
	<b>Total State Grants for Innovative Programs</b>			31,992	62,117
	Special Education - State Personnel Development	84.323	046938-STS3-2005	64,880	89,307
	Total Special Education - State Personnel Development			64,880	89,307
	English Language Acquisition Grants English Language Acquisition Grants	84.365 84.365	046938-T3S1-2006 046938-T3S1-2007	24,375 29,803	5,818 36,553
	<b>Total English Language Acquisition Grants</b>			54,178	42,371
	Improving Teacher Quality State Grants Improving Teacher Quality State Grants	84.367 84.367	046938-TRSA-2006 046938-TRSA-2007	22,709 127,604	21,744 117,633
	Total Improving Teacher Quality			150,313	139,377
	Total U.S. Department of Education			6,929,297	6,805,932
	<b>Total Federal Financial Assistance</b>			\$ 6,929,297	\$ 6,805,932

<sup>(</sup>A) This schedule was prepared on the cash basis of accounting.

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

<sup>(</sup>B) Passed through the Franklin County.



### Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Franklin County, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Educational Service Center of Franklin County's basic financial statements and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

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

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

Governing Board Educational Service Center of Franklin County

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#### Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Educational Service Center of Franklin County in a separate letter dated December 31, 2007.

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

Julian & Grube, Inc. December 31, 2007



### Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

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

#### Compliance

We have audited the compliance of the Educational Service Center of Franklin County, Franklin County, Ohio, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. The Educational Service Center of Franklin County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Educational Service Center of Franklin County's management. Our responsibility is to express an opinion on the Educational Service Center of Franklin County's compliance based on our audit.

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

In our opinion, the Educational Service Center of Franklin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

#### Internal Control Over Compliance

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

Governing Board Educational Service Center of Franklin County

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

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

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

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

Julian & Grube, Inc. December 31, 2007

#### SCHEDULE OF FINDINGS OMB CIRCULAR A-133 § .505 JUNE 30, 2007

	1. SUMMARY OF AUDITOR'S RESULTS						
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified					
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?						
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No					
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No					
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No					
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No					
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified					
(d)(1)(vi)	Are there any reportable findings under §.510?	No					
(d)(1)(vii)	Major Program (listed):	Special Education Cluster: Special Education: Grants to States (CFDA #84.027); and Special Education: Preschool Grants (CFDA #84.173)					
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others					
(d)(1)(ix)	Low Risk Auditee?	Yes					

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

None

#### 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



# Mary Taylor, CPA Auditor of State

#### FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER

#### **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.

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED MARCH 18, 2008