



Dave Yost • Auditor of State

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2013	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position – June 30, 2013.....	9
Statement of Activities – For the Fiscal Year Ended June 30, 2013.....	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds – June 30, 2013	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2013.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2013	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2013	14
Statement of Fiduciary Net Position – Fiduciary Fund – June 30, 2013	15
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2013.....	17
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2012	37
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – June 30, 2012.....	43
Statement of Activities – For the Fiscal Year Ended June 30, 2012.....	44
Fund Financial Statements:	
Balance Sheet - Governmental Funds – June 30, 2012	45
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities – June 30, 2012.....	46
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2012	47

LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2012	48
Statement of Fiduciary Net Assets – Fiduciary Fund – June 30, 2012.....	49
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2012	51
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	69
Schedule of Findings.....	71
Schedule of Prior Findings.....	72



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Logan County Educational Service Center
Logan County
121 South Opera Street
Bellefontaine, Ohio 43311

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Logan County Educational Service Center, Logan County, Ohio (the Center), as of and for the years ended June 30, 2013 and June 30, 2012, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Logan County Educational Service Center, Logan County, Ohio, as of June 30, 2013 and June 30, 2012, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2014

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The discussion and analysis of the financial performance of Logan County Educational Service Center (the Center) provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased \$113,961.
- Program specific revenues, in the form of charges for services and operating grants and contributions, accounted for \$3,956,056, or 94 percent of total revenues.
- The Center had \$4,104,665 in total expenses, 96 percent of which was offset by program specific charges for services and operating grants and contributions.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Center's operations and activities as a whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the finances of the Center and a longer-term view of those finances. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and the available funds for long-term future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in a single column. This level of detail is meant to enhance the financial statements.

Reporting the Logan County Educational Service Center as a Whole

The statement of net position and the statement of activities reflect how the Center did financially during fiscal year 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Center's net position and changes in position. This change in net position is important because it tells the reader whether the financial position of the Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors. Factors can be financial or non-financial. Non-financial factors include mandated educational programs, as well as locally requested programs.

All of the Center's programs and services provided are reported as governmental activities. These activities include: instruction, support services, and non-instructional services including extracurricular activities.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Reporting the Center's Most Significant Funds

Fund financial statements provide detailed information about the Center's major funds, which includes the General Fund and the Alternative School Fund.

All of the Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Center's operations and the basic services it provides.

The relationship, or differences, between governmental activities reported on the statement of net position and the statement of activities and in the governmental funds is reconciled in the financial statements.

Reporting the Center's Fiduciary Responsibilities

The Center acts as a fiscal agent for another entity. This activity is reported in an agency fund. The Center's fiduciary activities are reported in separate statement of fiduciary net position. This activity is 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.

The Center as a Whole

Table 1 provides a summary of the Center's net position for fiscal year 2013 compared to fiscal year 2012.

Table 1 Net Position Governmental Activities		
	2013	2012
Assets:		
Current and Other Assets	\$1,515,313	\$1,372,027
Capital Assets, Net	31,363	32,929
Total Assets	1,546,676	1,404,956
Liabilities:		
Current and Other Liabilities	425,771	405,500
Long-Term Liabilities	94,617	87,129
Total Liabilities	520,388	492,629
Net Position:		
Net Investment in Capital Assets	31,363	32,929
Restricted for Other Purposes	530,337	626,905
Unrestricted (Deficit)	464,588	252,493
Total Net Position	\$1,026,288	\$912,327

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

Table 2 Change in Net Position Governmental Activities		
Table 2 Change in Net Position Governmental Activities		
	2013	2012
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$3,828,475	\$3,459,276
Operating Grants, Contributions and Interest	127,581	58,972
General Revenues:		
Grants and Entitlements	180,035	211,805
Gifts and Donations	7,501	49,579
Interest		242
Miscellaneous	75,034	248,059
Total Revenues	4,218,626	4,027,933
Program Expenses:		
Instruction:		
Special	2,567,708	2,158,291
Support Services:		
Pupils	374,246	463,225
Instructional Staff	307,172	187,866
Board of Education	15,981	9,292
Administration	389,032	511,547
Fiscal	370,559	357,271
Operation and Maintenance of Plant	12,370	25,870
Central	29,839	26,966
Non-Instructional	37,295	43,129
Extracurricular Activities	463	282
Total Expenses	4,104,665	3,783,739
Increase (Decrease) in Net Position	\$113,961	\$244,194

The total revenues and total expenses increased in fiscal year 2013 which resulted in an increase in net position for fiscal year 2013 due to increased tuition and services provided.

Table 3 indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

**Table 3
Cost of Services**

	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>	<u>Total Cost of Services</u> <u>2012</u>	<u>Net Cost of Services</u> <u>2012</u>
Instruction:				
Special	\$2,567,708	(\$1,194,963)	\$2,158,291	(\$1,114,030)
Support Services:				
Pupils	374,246	374,246	463,225	430,225
Instructional Staff	307,172	136,654	187,866	239
Board of Education	15,981	15,981	9,292	9,292
Administration	389,032	389,032	511,547	511,547
Fiscal	370,559	347,692	357,271	331,971
Operation and Maintenance of Plant	12,370	12,370	25,870	25,870
Central	29,839	29,839	26,966	26,966
Non-Instructional	37,295	37,295	43,129	43,129
Extracurricular Activities	463	463	282	282
Total Expenses	<u>\$4,104,665</u>	<u>\$148,609</u>	<u>\$3,783,739</u>	<u>\$265,491</u>

During fiscal year 2013, program revenues were adequate to cover instruction activities. For all governmental activities, support from general revenues is 4 percent.

The Center's Funds

The Center's governmental funds are accounted for using the modified accrual basis of accounting. The Center had two major funds, the General Fund and the Alternative School Fund, which comprised 98 percent of the total governmental fund assets. All governmental funds had total revenues of \$4,218,626 and expenditures of \$4,095,611.

General Fund – This fund, the Center's largest major fund, had receipts of \$2,664,050 and expenditures of \$2,644,787 in 2013. The fund balance increased \$19,263 from 2012 to 2013.

Alternative Schools Fund – This fund had receipts of \$1,499,418 and expenditures of \$1,371,197. The balance in this fund increased \$128,221 from 2012 to 2013 as a result of an increase in student enrollment from 2012 to 2013.

Capital Assets

At the end of fiscal year 2013, the Center had \$31,363 invested in capital assets (net of accumulated depreciation). For further information regarding the Center's capital assets, see the notes to the basic financial statements.

Debt

The Center had no debt in fiscal year 2013. The only long-term obligations of the Center are related to compensated absences. For further information regarding the Center's long-term obligations, see the notes to the basic financial statements.

Current Issues

The Logan County Commissioner will continue to provide us with office space at no cost.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Contacting the Center's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Center's finances and to reflect accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sara Tracey, Treasurer, Logan County Educational Service Center, 121 South Opera Street, Bellefontaine, Ohio 43311.

This page intentionally left blank.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,234,842
Accounts Receivable	280,471
Depreciable Capital Assets, Net	31,363
Total Assets	<u>1,546,676</u>
Liabilities:	
Accounts Payable	35,574
Accrued Wages and Benefits Payable	323,027
Intergovernmental Payable	67,170
Long Term Liabilities:	
Due Within One Year	28,648
Due in More Than One Year	65,969
Total Liabilities	<u>520,388</u>
Net Position:	
Net Investment in Capital Assets	31,363
Restricted for Other Purposes	530,337
Unrestricted	464,588
Total Net Position	<u><u>\$1,026,288</u></u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions, and Interest</u>
			<u>Governmental Activities</u>
Governmental Activities:			
Instruction:			
Special	\$2,567,708	\$3,664,940	\$97,731
Support Services:			
Pupils	374,246		(374,246)
Instructional Staff	307,172	140,668	29,850
Board of Education	15,981		(15,981)
Administration	389,032		(389,032)
Fiscal	370,559	22,867	(347,692)
Operation and Maintenance of Plant	12,370		(12,370)
Central	29,839		(29,839)
Non-Instructional Services	37,295		(37,295)
Extracurricular Activities	463		(463)
Total Governmental Activities	<u>\$4,104,665</u>	<u>\$3,828,475</u>	<u>\$127,581</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			180,035
Gifts and Donations			7,501
Miscellaneous			75,034
Total General Revenues			<u>262,570</u>
Change in Net Position			113,961
Net Position Beginning of Year			<u>912,327</u>
Net Position End of Year			<u>\$1,026,288</u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Alternative School</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$719,122	\$478,900	\$36,820	\$1,234,842
Accounts Receivable	138,831	141,640		280,471
Total Assets	<u>857,953</u>	<u>620,540</u>	<u>36,820</u>	<u>1,515,313</u>
Liabilities:				
Accounts Payable	17,747	16,977	850	35,574
Accrued Wages and Benefits Payable	226,364	96,457	206	323,027
Intergovernmental Payable	58,467	8,703		67,170
Total Liabilities	<u>302,578</u>	<u>122,137</u>	<u>1,056</u>	<u>425,771</u>
Fund Balances:				
Restricted		498,403	31,934	530,337
Committed			3,830	3,830
Assigned	85,237			85,237
Unassigned	470,138			470,138
Total Fund Balances	<u>555,375</u>	<u>498,403</u>	<u>35,764</u>	<u>1,089,542</u>
Total Liabilities and Fund Balances	<u>\$857,953</u>	<u>\$620,540</u>	<u>\$36,820</u>	<u>\$1,515,313</u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

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

Total Governmental Fund Balances	\$1,089,542
----------------------------------	-------------

Amounts reported for governmental activities on the statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	31,363
---	--------

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Compensated Absences Payable	<u>(94,617)</u>
Net Position of Governmental Activities	<u><u>\$1,026,288</u></u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

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

	<u>General Fund</u>	<u>Alternative School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Intergovernmental	\$277,766		\$29,850	\$307,616
Tuition and Fees	1,651,585	\$1,406,195		3,057,780
Extracurricular Activities			887	887
Gifts and Donations			7,501	7,501
Customer Sales and Services	659,765	93,223	16,820	769,808
Miscellaneous	74,934		100	75,034
Total Revenues	<u>2,664,050</u>	<u>1,499,418</u>	<u>55,158</u>	<u>4,218,626</u>
Expenditures:				
Current:				
Instruction:				
Special	1,349,766	1,213,654	103	2,563,523
Support services:				
Pupils	356,312		25,200	381,512
Instructional Staff	252,261		52,369	304,630
Board of Education	15,981			15,981
Administration	222,596	157,543	1,492	381,631
Fiscal	368,366			368,366
Operation and Maintenance of Plant	12,370			12,370
Central	29,839			29,839
Non-Instructional Services	37,296			37,296
Extracurricular activities			463	463
Total Expenditures	<u>2,644,787</u>	<u>1,371,197</u>	<u>79,627</u>	<u>4,095,611</u>
Excess of Revenues Over (Under) Expenditures	<u>19,263</u>	<u>128,221</u>	<u>(24,469)</u>	<u>123,015</u>
Net Change in Fund Balance	19,263	128,221	(24,469)	123,015
Fund Balances at Beginning of Year	<u>536,112</u>	<u>370,182</u>	<u>60,233</u>	<u>966,527</u>
Fund Balances at End of Year	<u>\$555,375</u>	<u>\$498,403</u>	<u>\$35,764</u>	<u>\$1,089,542</u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

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

Net Change in Fund Balances - Total Governmental Funds \$123,015

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

Governmental funds report capital outlay as expenditures. However, on 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 outlay exceeds depreciation in the current year.

Depreciation (1,566)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable (7,488)

Change in Net Position of Governmental Activities \$113,961

See Accompanying Notes to Basic Financial Statements.

LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$104,626</u>
Liabilities:	
Undistributed Monies	<u>\$104,626</u>

See Accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

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

1. REPORTING ENTITY

The Logan County Educational Service Center (the Center) is located in Bellefontaine, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to Benjamin Logan, Riverside, and Indian Lake Local School Districts. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Center is operated under a locally elected Board form of government consisting of five members at-large for staggered four terms. The Center has 26 support staff employees and 29 certified teaching personnel that provide service to the local and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Center 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.

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 obligated to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. There are no component units of the Center.

The Center is associated with several organizations, which are defined as jointly governed organizations and three public entity risk pools. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the Logan County Family and Children First Council, the Logan County Education Foundation, the Logan County Schools Benefit Plan Association, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are discussed in Notes 12 and 13 to the basic financial statements.

The Center serves as fiscal agent for the Family and Children First Council, a jointly governed organization for the Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Center's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the government activities of the Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, 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 that are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Center.

2. Fund Financial Statements

During the fiscal year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the Center, governmental and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Center 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 Center has two major governmental funds:

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alternative Schools Fund - The Alternative Schools Fund is used to account for alternative educational programs existing and new at-risk and delinquent youth. Programs are focused on youth in one or more of the following categories: those who have been expelled or suspended, those who have dropped out of school or who are at risk of dropping out of school, those who are habitually truant or disruptive, or those on probation or on parole from a Department of Youth Services' facility.

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

2. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Center are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, 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 fiscal 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal yearend: grants, interest, tuition, fees, and customer services.

2. Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflows of resources are acquisitions of net position by the Center that are applicable to a future reporting period. Deferred outflows of resources are consumptions of net position by the Center that are applicable to a future reporting period.

Other revenues received in advance of the fiscal year for which they were intended to finance are recorded as deferred inflows. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows. The Center did not have any deferred inflows or outflows or resources during the fiscal year.

3. Expenses/Expenditures

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

To improve the cash management, cash received by the Center is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." The Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$0.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Center did not have any investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The Center did not have any prepaid items.

G. Capital Assets

All of the Center's capital assets are governmental capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Center's capitalization threshold is one thousand dollars. The Center does not have any infrastructure. Improvements are capitalized. All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Furniture and Fixtures	5 - 20 years
Equipment	10 years

H. Compensated Absences

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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 and are reported as obligations of the funds. However, contractually required pension obligations and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

J. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities for federal and state grants restricted to expenditure for specified purposes.

The Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

K. Fund Balance

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

L. Interfund Transactions

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. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. The Center did not have this activity during 2013.

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the statement of net position. The Center did not have any Interfund Receivables/Payables during 2013.

M. 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 management and are either unusual in nature or infrequent in occurrence. The Center did not have this activity during 2013.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Estimates

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

3. DEPOSITS AND INVESTMENTS

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center Treasury. Active 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 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 monies are those monies that 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 held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 market 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain banker's acceptance and commercial paper notes, if training requirements have been met, 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.

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. Payments 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3. "Deposits With Financial Institutions, Investments (Including Repurchased Agreements), and Reverse Repurchase Agreements."

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,211,166 of the Center's bank balance of \$1,461,166 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2013, the Center did not have any investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Center has no investment policy that addresses interest rate risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center has no investment policy that addresses custodial credit risk.

Concentration of Credit Risk - The Center places no limit on the amount it may invest in any one issuer.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. STATE FUNDING

The Center is funded by the State Department of Education from State resources and the school districts to which the Center provides services. The school districts portion is determined by multiplying the average daily membership of the local school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's School Foundation Program.

The Department of Education's portion is determined by multiplying the sum of the average daily memberships of the local school districts served by the Center by \$37.

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

5. RECEIVABLES

Receivables at June 30, 2013, consisted of accounts receivables. All receivables are considered collectible within one year and in full.

6. CAPITAL ASSETS

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

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities:				
Depreciable Capital Assets:				
Buildings and Building Improvements	\$42,000			\$42,000
Furniture, Fixtures, and Equipment	46,520			46,520
Total Depreciable Capital Assets	<u>88,520</u>			<u>88,520</u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	10,588	\$1,050		11,638
Furniture, Fixtures, and Equipment	45,003	516		45,519
Total Accumulated Depreciation	<u>55,591</u>	<u>1,566</u>		<u>57,157</u>
Depreciable Capital Assets, Net	<u>32,929</u>	<u>(1,566)</u>		<u>31,363</u>
Governmental Activities Capital Assets, Net	<u>\$32,929</u>	<u>(\$1,566)</u>		<u>\$31,363</u>

The Center's buildings consist of a modular classroom that is used by the local school districts served by the Center.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$139
Support Services:	
Pupil	120
Instructional Staff	60
Administration	1,178
Fiscal	69
Total Depreciation Expense	\$1,566

7. RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the Center contracted with the Ohio School Plan Insurance for general liability insurance. Property is also protected by the Ohio School Plan. Coverages provided by the Ohio School Plan are as follows:

Coverage	Limit	Aggregate Limit	Deductible
General Liability	\$1,000,000	\$3,000,000	
Employee Benefits	1,000,000	3,000,000	
Employers' Liability	1,000,000		
Educational Legal Liability	1,000,000	2,000,000	\$2,500

There has been no significant change in coverage from last year. Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Health Insurance

The Center participates in the Logan County Schools Benefit Plan Association (the Plan), a public entity shared risk pool (Note 13) consisting of three local school districts, one joint vocational school district and the Center. The Center pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation

For fiscal year 2013, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Systems Health provides administrative, cost control and actuarial services to the GRP. Each year, the Center pays an enrollment fee to the plan to cover the costs of administering the program.

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$197,969 and \$4,351 for the fiscal year ended June 30, 2013, \$195,323 and \$799 for the fiscal year ended June 30, 2012 and \$201,836 and \$963, for the fiscal year ended June 30, 2011. For fiscal year 2013, 79 percent has been contributed for the DBP and 79 percent has been contributed for the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$12 made by the Center and \$9 made by the plan members. In addition, member contributions of \$3,108 were made for fiscal year 2013 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The Center participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14% of annual cover payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Medicare B and health care funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$100,517, \$118,595, and \$92,837, respectively. For fiscal year 2013, 86 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The Center participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website www.strsoh.org.

Funding Policy – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Center's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$14,141, \$13,952, and \$15,601, respectively. For fiscal year 2013, 79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description - The Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS' Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the Center paid \$6,807 in surcharge.

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

The Center's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,149, \$4,659, and \$11,241 respectively. For fiscal year 2013, 86 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$5,313, \$6,353, and \$5,974, respectively. For fiscal year 2013, 86 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. All twelve-month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time does carry beyond the contract year in which it is earned. Accumulated, unused vacation time is paid to administrators upon termination of employment if negotiated with the Board of Education. Teachers do not earn vacation time. All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract year in which it is earned.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for 22.5 percent of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

B. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Financial.

11. LONG-TERM OBLIGATIONS

Changes in the Center's long-term obligations during fiscal year 2013 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$87,129	\$28,385	\$20,897	\$94,617	\$28,648

Compensated absences will be paid from the General Fund.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent upon the software package utilized. The governing board of WOCO consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

In accordance with GASB Statement No. 14 and 61, the Center does not have an equity interest in WOCO, as the residual interest in the net resources of the joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Keith Thomas, Treasurer, Shelby County Educational Service Center (fiscal agent to the Western Ohio Computer Organization), 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

B. Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

C. Logan County Family and Children First Council

The Family and Children First Council provides services to multi-need youth in Logan County. Members of the council include but are not limited to the Logan County Board of Mental Retardation and Development Disabilities, Mental Health Board, Logan County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Logan County Head Start, Logan County Board of Health, Logan County Human Services, Logan County Educational Service Center and the Ohio Department of Youth Services. The operation of the council is controlled by an advisory committee, which consists of a representative from each agency. Funding comes mainly from the State of Ohio. Financial information can be obtained from Karey Thompson, Executive Director, 1973 State Route 47 West, Bellefontaine, Ohio 43311.

D. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Thom, who serves as Managing Director, 121 S. Opera Street, Bellefontaine, Ohio 43311.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. INSURANCE POOLS

A. Logan County Schools Benefit Plan Association

The Center participates in the Logan County Schools Benefit Plan Association (the Plan), a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Center. The Center pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Ohio School Plan

The Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. the Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

14. INTERFUND TRANSACTIONS

All interfund balances have been repaid.

15. CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2013.

B. Litigation

There are currently no matters in litigation with the Center as defendant.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Alternative Schools Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Special Instruction Pupils		\$498,403	\$3,153	\$501,556
Instructional Staff Administration			14,975	14,975
			182	182
			13,624	13,624
Total Restricted		498,403	31,934	530,337
Committed for:				
Pupils			3,830	3,830
Total Committed			3,830	3,830
Assigned for:				
Encumbrances	\$85,237			85,237
Total Assigned	85,237			85,237
Unassigned	470,138			470,138
Total Fund Balance	\$555,375	\$498,403	\$35,764	\$1,089,542

17. CHANGE IN ACCOUNTING PRINCIPLE

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

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

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Center.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

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

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the Center's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. The Center did not have any deferred inflows or outflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The implementation of this GASB Statement had no impact on the Center's financial statements.

18. SUBSEQUENT EVENT

On March 4, 2014, the Logan, Shelby, and Hardin Educational Service Centers (Center) approved a merger of the Centers into one Center, which will be renamed the Midwest Regional Educational Service Center. The Governing Board of the Logan, Shelby, and Hardin Centers will be dissolved as of June 30, 2014 and the merged Center will start effective July 1, 2014.

This page intentionally left blank.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of the financial performance of Logan County Educational Service Center (the Center) provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets increased \$244,194.
- Program specific revenues, in the form of charges for services and operating grants and contributions, accounted for \$3,518,248, or 87 percent of total revenues.
- The Center had \$3,783,739 in total expenses, 93 percent of which was offset by program specific charges for services and operating grants and contributions.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Center's operations and activities as a whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the finances of the Center and a longer-term view of those finances. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and the available funds for long-term future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in a single column. This level of detail is meant to enhance the financial statements.

Reporting the Logan County Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Center did financially during fiscal year 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Center's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors. Factors can be financial or non-financial. Non-financial factors include mandated educational programs, as well as locally requested programs.

All of the Center's programs and services provided are reported as governmental activities. These activities include: instruction, support services, and non-instructional services including extracurricular activities.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Reporting the Center's Most Significant Funds

Fund financial statements provide detailed information about the Center's major funds, which includes the General Fund and the Alternative School Fund.

All of the Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Center's operations and the basic services it provides.

The relationship, or differences, between governmental activities reported on the statement of net assets and the statement of activities and in the governmental funds is reconciled in the financial statements.

Reporting the Center's Fiduciary Responsibilities

The Center acts as a fiscal agent for another entity. This activity is reported in an agency fund. The Center's fiduciary activities are reported in separate statement of fiduciary net assets. This activity is 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.

The Center as a Whole

Table 1 provides a summary of the Center's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1		
Net Assets		
Governmental Activities		
	2012	2011
Assets:		
Current and Other Assets	\$1,372,027	\$1,075,960
Capital Assets, Net	32,929	35,086
Total Assets	1,404,956	1,111,046
Liabilities:		
Current and Other Liabilities	405,500	355,949
Long-Term Liabilities	87,129	86,964
Total Liabilities	492,629	442,913
Net Assets:		
Invested in Capital Assets, Net of Related Debt	32,929	35,086
Restricted for Other Purposes	626,905	352,348
Unrestricted (Deficit)	252,493	280,699
Total Net Assets	\$912,327	\$668,133

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

**Table 2
Change in Net Assets
Governmental Activities**

	2012	2011
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$3,459,276	\$3,252,512
Operating Grants, Contributions and Interest	58,972	56,371
General Revenues:		
Grants and Entitlements	211,805	240,137
Gifts and Donations	49,579	20,290
Interest	242	397
Miscellaneous	248,059	68,534
Total Revenues	<u>4,027,933</u>	<u>3,638,241</u>
Program Expenses:		
Instruction:		
Special	2,158,291	2,251,636
Support Services:		
Pupils	463,225	500,570
Instructional Staff	187,866	306,250
Board of Education	9,292	12,045
Administration	511,547	151,749
Fiscal	357,271	276,621
Operation and Maintenance of Plant	25,870	9,088
Central	26,966	28,968
Non-Instructional	43,129	38,963
Extracurricular Activities	282	125
Total Expenses	<u>3,783,739</u>	<u>3,576,015</u>
Increase (Decrease) in Net Assets	<u>\$244,194</u>	<u>\$62,226</u>

The total revenues and total expenses increased in fiscal year 2012 which resulted in an increase in net assets for fiscal year 2012. These increases were due to increased tuition and administrative fees collected as well as services provided.

Table 3 indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

**Table 3
Cost of Services**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction:				
Special	\$2,158,291	(\$1,114,030)	\$2,251,636	(\$766,420)
Support Services:				
Pupils	463,225	430,225	500,570	473,570
Instructional Staff	187,866	239	306,250	81,859
Board of Education	9,292	9,292	12,045	12,045
Administration	511,547	511,547	151,749	147,749
Fiscal	357,271	331,971	276,621	241,185
Operation and Maintenance of Plant	25,870	25,870	9,088	9,088
Central	26,966	26,966	28,968	28,968
Non-Instructional	43,129	43,129	38,963	38,963
Extracurricular Activities	282	282	125	125
Total Expenses	\$3,783,739	\$265,491	\$3,576,015	\$267,132

During fiscal year 2012, program revenues were adequate to cover instruction activities. For all governmental activities, support from general revenues is 7 percent.

The Center's Funds

The Center's governmental funds are accounted for using the modified accrual basis of accounting. The Center had two major funds, the General Fund and the Alternative School Fund, which comprised 95 percent of the total governmental fund assets. All governmental funds had total revenues of \$4,027,933 and expenditures of \$3,781,417.

General Fund – This fund, the Center's largest major fund, had receipts of \$2,677,822 and expenditures of \$2,509,373 in 2012. The fund balance increased \$168,449 from 2011 to 2012 due to increased administrative fees collected.

Alternative Schools Fund – This fund had receipts of \$1,245,126 and expenditures of \$1,192,738. The balance in this fund increased \$52,388 from 2011 to 2012 as a result of an increase in student enrollment from 2011 to 2012.

Capital Assets

At the end of fiscal year 2012, the Center had \$32,929 invested in capital assets (net of accumulated depreciation). For further information regarding the Center's capital assets, see the notes to the basic financial statements.

Debt

The Center had no debt in fiscal year 2012. The only long-term obligations of the Center are related to compensated absences. For further information regarding the Center's long-term obligations, see the notes to the basic financial statements.

Current Issues

The Logan County Commissioner will continue to provide us with office space at no cost.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Contacting the Center's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Center's finances and to reflect accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sara Tracey, Treasurer, Logan County Educational Service Center, 121 South Opera Street, Bellefontaine, Ohio 43311.

This page intentionally left blank.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,183,852
Accounts Receivable	188,175
Depreciable Capital Assets, Net	32,929
Total Assets	1,404,956
 Liabilities:	
Accounts Payable	30,129
Accrued Wages and Benefits Payable	313,558
Intergovernmental Payable	61,813
Long Term Liabilities:	
Due Within One Year	23,665
Due in More Than One Year	63,464
Total Liabilities	492,629
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	32,929
Restricted for Other Purposes	626,905
Unrestricted	252,493
Total Net Assets	\$912,327

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions, and Interest</u>
			<u>Governmental Activities</u>
Governmental Activities:			
Instruction:			
Special	\$2,158,291	\$3,214,249	\$58,072
Support Services:			
Pupils	463,225	33,000	(430,225)
Instructional Staff	187,866	186,727	900
Board of Education	9,292		(9,292)
Administration	511,547		(511,547)
Fiscal	357,271	25,300	(331,971)
Operation and Maintenance of Plant	25,870		(25,870)
Central	26,966		(26,966)
Non-Instructional Services	43,129		(43,129)
Extracurricular Activities	282		(282)
Total Governmental Activities	<u>\$3,783,739</u>	<u>\$3,459,276</u>	<u>\$58,972</u>
			<u>(265,491)</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			211,805
Gifts and Donations			49,579
Investment Earnings			242
Miscellaneous			248,059
Total General Revenues			<u>509,685</u>
Change in Net Assets			244,194
Net Assets Beginning of Year			668,133
Net Assets End of Year			<u>\$912,327</u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Alternative School</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$552,823	\$558,932	\$72,097	\$1,183,852
Accounts Receivable	68,677	119,498		188,175
Interfund Receivable	196,490			196,490
Total Assets	<u>817,990</u>	<u>678,430</u>	<u>72,097</u>	<u>1,568,517</u>
Liabilities:				
Accounts Payable	14,387	5,185	10,557	30,129
Accrued Wages and Benefits Payable	219,607	92,644	1,307	313,558
Interfund Payable		196,490		196,490
Intergovernmental Payable	47,884	13,929		61,813
Total Liabilities	<u>281,878</u>	<u>308,248</u>	<u>11,864</u>	<u>601,990</u>
Fund Balances:				
Restricted		370,182	60,233	430,415
Assigned	26,238			26,238
Unassigned	509,874			509,874
Total Fund Balances	<u>536,112</u>	<u>370,182</u>	<u>60,233</u>	<u>966,527</u>
Total Liabilities and Fund Balances	<u>\$817,990</u>	<u>\$678,430</u>	<u>\$72,097</u>	<u>\$1,568,517</u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances	\$966,527
----------------------------------	-----------

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	32,929
---	--------

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Compensated Absences Payable	<u>(87,129)</u>
Net Assets of Governmental Activities	<u><u>\$912,327</u></u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Alternative School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Intergovernmental	\$269,877		\$900	\$270,777
Interest	242			242
Tuition and Fees	1,519,145	\$1,164,269		2,683,414
Extracurricular Activities			356	356
Gifts and Donations			49,579	49,579
Customer Sales and Services	641,350	80,857	53,299	775,506
Miscellaneous	247,208		851	248,059
Total Revenues	<u>2,677,822</u>	<u>1,245,126</u>	<u>104,985</u>	<u>4,027,933</u>
Expenditures:				
Current:				
Instruction:				
Special	1,274,204	878,294	(178)	2,152,320
Support services:				
Pupils	408,995		53,646	462,641
Instructional Staff	162,717		24,607	187,324
Board of Education	9,292			9,292
Administration	205,618	314,444	949	521,011
Fiscal	354,648			354,648
Operation and Maintenance of Plant	25,870			25,870
Central	26,966			26,966
Non-Instructional Services	41,063			41,063
Extracurricular activities			282	282
Total Expenditures	<u>2,509,373</u>	<u>1,192,738</u>	<u>79,306</u>	<u>3,781,417</u>
Excess of Revenues Over (Under) Expenditures	<u>168,449</u>	<u>52,388</u>	<u>25,679</u>	<u>246,516</u>
Net Change in Fund Balance	168,449	52,388	25,679	246,516
Fund Balances at Beginning of Year	<u>367,663</u>	<u>317,794</u>	<u>34,554</u>	<u>720,011</u>
Fund Balances at End of Year	<u>\$536,112</u>	<u>\$370,182</u>	<u>\$60,233</u>	<u>\$966,527</u>

See Accompanying Notes to Basic Financial Statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$246,516

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

Governmental funds report capital outlay as expenditures. However, on 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 outlay exceeds depreciation in the current year.

Depreciation (2,157)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable (165)

Change in Net Assets of Governmental Activities \$244,194

See Accompanying Notes to Basic Financial Statements.

LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$95,493</u>
Liabilities:	
Undistributed Monies	<u>\$95,493</u>

See Accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. REPORTING ENTITY

The Logan County Educational Service Center (the Center) is located in Bellefontaine, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to Benjamin Logan, Riverside, and Indian Lake Local School Districts. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently. The Center is operated under a locally elected Board form of government consisting of five members at-large for staggered four terms. The Center has 26 support staff employees and 29 certified teaching personnel that provide service to the local and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Center 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.

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 obligated to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. There are no component units of the Center.

The Center is associated with several organizations, which are defined as jointly governed organizations and three public entity risk pools. These organizations include the Western Ohio Computer Organization, the Ohio Hi-Point Joint Vocational School District, the Logan County Family and Children First Council, the Logan County Education Foundation, the Logan County Schools Benefit Plan Association, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are discussed in Notes 12 and 13 to the basic financial statements.

The Center serves as fiscal agent for the Family and Children First Council, a jointly governed organization for the Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Center's accounting policies.

A. Basis of Presentation

The Center's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the government activities of the Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, 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 that are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Center.

2. Fund Financial Statements

During the fiscal year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the Center, governmental and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Center 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 Center has two major governmental funds:

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alternative Schools Fund - The Alternative Schools Fund is used to account for alternative educational programs existing and new at-risk and delinquent youth. Programs are focused on youth in one or more of the following categories: those who have been expelled or suspended, those who have dropped out of school or who are at risk of dropping out of school, those who are habitually truant or disruptive, or those on probation or on parole from a Department of Youth Services' facility.

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

2. 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 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 funds account for resources held for other organizations.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Center are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, 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 fiscal 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal yearend: grants, interest, tuition, fees, and customer services.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue. The Center had no deferred revenues for 2012.

3. Expenses/Expenditures

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

E. Cash and Investments

To improve the cash management, cash received by the Center is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." The Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$242.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Center did not have any investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed. The Center did not have any prepaid items.

G. Capital Assets

All of the Center's capital assets are governmental capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Center's capitalization threshold is one thousand dollars. The Center does not have any infrastructure. Improvements are capitalized. All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Furniture and Fixtures	5 - 20 years
Equipment	10 years

H. Compensated Absences

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

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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 and are reported as obligations of the funds. However, contractually required pension obligations and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for federal and state grants restricted to expenditure for specified purposes.

The Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets is available.

K. Fund Balance

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

L. Interfund Transactions

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. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. The Center did not have this activity during 2012.

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the statement of net assets.

M. 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 management and are either unusual in nature or infrequent in occurrence. The Center did not have this activity during 2012.

N. Estimates

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

3. DEPOSITS AND INVESTMENTS

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center Treasury. Active 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.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the 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 monies are those monies that 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 held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 market 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain banker's acceptance and commercial paper notes, if trading requirements have been met, 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.

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. Payments 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.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3. "Deposits With Financial Institutions, Investments (Including Repurchased Agreements), and Reverse Repurchase Agreements."

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,041,804 of the Center's bank balance of \$1,304,858 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2012, the Center did not have any investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Center has no investment policy that addresses interest rate risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center has no investment policy that addresses custodial credit risk.

Concentration of Credit Risk - The Center places no limit on the amount it may invest in any one issuer.

4. STATE FUNDING

The Center is funded by the State Department of Education from State resources and the school districts to which the Center provides services. The school districts portion is determined by multiplying the average daily membership of the local school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's School Foundation Program.

The Department of Education's portion is determined by multiplying the sum of the average daily memberships of the local school districts served by the Center by \$37.

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. RECEIVABLES

Receivables at June 30, 2012, consisted of accounts receivables. All receivables are considered collectible within one year and in full.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>
Governmental Activities:				
Depreciable Capital Assets:				
Buildings and Building Improvements	\$42,000			\$42,000
Furniture, Fixtures, and Equipment	46,520			46,520
Total Depreciable Capital Assets	<u>88,520</u>			<u>88,520</u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	9,538	\$1,050		10,588
Furniture, Fixtures, and Equipment	43,896	1,107		45,003
Total Accumulated Depreciation	<u>53,434</u>	<u>2,157</u>		<u>55,591</u>
Depreciable Capital Assets, Net	<u>35,086</u>	<u>(2,157)</u>		<u>32,929</u>
Governmental Activities Capital Assets, Net	<u>\$35,086</u>	<u>(\$2,157)</u>		<u>\$32,929</u>

The Center's buildings consist of a modular classroom that is used by the local school districts served by the Center.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$278
Support Services:	
Pupil	120
Instructional Staff	123
Administration	1,499
Fiscal	137
Total Depreciation Expense	<u>\$2,157</u>

7. RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Center contracted with the Ohio School Plan Insurance for general liability insurance. Property is also protected by the Ohio School Plan. Coverages provided by the Ohio School Plan are as follows:

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Coverage</u>	<u>Limit</u>	<u>Aggregate Limit</u>	<u>Deductible</u>
General Liability	\$1,000,000	\$3,000,000	
Employee Benefits	1,000,000	3,000,000	
Employers' Liability	1,000,000		
Educational Legal Liability	1,000,000	2,000,000	\$2,500

There has been no significant change in coverage from last year. Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Health Insurance

The Center participates in the Logan County Schools Benefit Plan Association (the Plan), a public entity shared risk pool (Note 13) consisting of three local school districts, one joint vocational school district and the Center. The Center pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation

For fiscal year 2012, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Systems Health provides administrative, cost control and actuarial services to the GRP. Each year, the Center pays an enrollment fee to the plan to cover the costs of administering the program.

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 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.

The Center's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$195,323 and \$799 for the fiscal year ended June 30, 2012, \$201,836 and \$963 for the fiscal year ended June 30, 2011 and \$195,100 and \$0, for the fiscal year ended June 30, 2010. For fiscal year 2012, 84 percent has been contributed for the DBP and 84 percent has been contributed for the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$12 made by the Center and \$9 made by the plan members. In addition, member contributions of \$571 were made for fiscal year 2012 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The Center participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS' website at www.ohsers.org under Employers/Audit Resources.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14% of annual cover payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Medicare B and health care funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$118,595, \$92,837, and \$106,441, respectively. For fiscal year 2012, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The Center participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website www.strsoh.org.

Funding Policy – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The Center's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$13,952, \$15,601, and \$15,484 respectively. For fiscal year 2012, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS' Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2011, the Center paid \$6,975 in surcharge.

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

The Center's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$4,659, \$11,241, and \$3,831 respectively. For fiscal year 2012, 85 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$6,353, \$5,974, and \$6,330, respectively. For fiscal year 2012, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. All twelve-month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time does carry beyond the contract year in which it is earned. Accumulated, unused vacation time is paid to administrators upon termination of employment if negotiated with the Board of Education. Teachers do not earn vacation time. All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract year in which it is earned.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for 22.5 percent of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

B. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Financial.

11. LONG-TERM OBLIGATIONS

Changes in the Center's long-term obligations during fiscal year 2012 were as follows:

	<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/12</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$86,964	\$165		\$87,129	\$23,665

Compensated absences will be paid from the General Fund.

12. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent upon the software package utilized. The governing board of WOCO consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

In accordance with GASB Statement No. 14, the Center does not have an equity interest in WOCO, as the residual interest in the net resources of the joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Keith Thomas, Treasurer, Shelby County Educational Service Center (fiscal agent to the Western Ohio Computer Organization), 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

B. Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Family and Children First Council

The Family and Children First Council provides services to multi-need youth in Logan County. Members of the council include but are not limited to the Logan County Board of Mental Retardation and Development Disabilities, Mental Health Board, Logan County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Logan County Head Start, Logan County Board of Health, Logan County Human Services, Logan County Educational Service Center and the Ohio Department of Youth Services. The operation of the council is controlled by an advisory committee, which consists of a representative from each agency. Funding comes mainly from the State of Ohio. Financial information can be obtained from Karey Thompson, Executive Director, 1973 State Route 47 West, Bellefontaine, Ohio 43311.

D. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Thom, who serves as Managing Director, 121 S. Opera Street, Bellefontaine, Ohio 43311.

13. INSURANCE POOLS

A. Logan County Schools Benefit Plan Association

The Center participates in the Logan County Schools Benefit Plan Association (the Plan), a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Center. The Center pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. INSURANCE POOLS (Continued)

C. Ohio School Plan

The Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. the Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

14. INTERFUND TRANSACTIONS

Interfund Receivable and Interfund Payable are reported on the fund financial statements, in the amount of \$196,490, for the General Fund and Alternative School Fund, respectively. The Alternative School Fund owed the General Fund for administrative fees. The funds are expected to be paid within the next year.

15. CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2012.

B. Litigation

There are currently no matters in litigation with the Center as defendant.

16. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Alternative Schools Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Special Instruction		\$370,182	\$26,440	\$396,622
Pupils			20,780	20,780
Instructional Staff			151	151
Administration			12,862	12,862
Total Restricted		370,182	60,233	430,415
Assigned for:				
Encumbrances	\$26,238			26,238
Total Assigned	26,238			26,238
Unassigned	509,874			509,874
Total Fund Balance	\$536,112	\$370,182	\$60,233	\$966,527



Dave Yost • Auditor of State

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

Logan County Educational Service Center
Logan County
121 South Opera Street
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Logan County Educational Service Center, Logan County, (the Center) as of and for the years ended June 30, 2013 and June 30, 2012, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Center's response and, accordingly, we express no opinion on.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2014

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013 AND JUNE 30, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2013-001

Financial Reporting - Material Weakness

The Center contracted with an independent accountant to prepare its annual financial reports on the GAAP basis of accounting for 2012 and 2013. The following errors were noted in the preparation of the fiscal year 2012 and 2013 financial statements:

- Prior year 2011 audited balances and adjustments were not incorporated in the 2012 trial balances and report resulting in the following errors
 - General Fund beginning fund balance and expenditures were overstated by \$29,279
 - Alternative School beginning fund balance and revenues were understated by \$95,518
 - Governmental Activities beginning net assets were understated by \$66,239, expenses were overstated by \$38,897, and revenues were overstated by \$105,136
- Interfund Payable/Receivable was not presented in 2012 for administrative fees between the Alternative Schools Fund and General Fund in the amount of \$196,490
- Governmental Activities Tuition, in the amount of \$58,442 in 2012 and \$59,426 in 2013, was presented as general miscellaneous revenue rather than program revenue for special instruction
- Governmental Activities foundation revenue in 2013, in the amount of \$1,505,757, was presented as program revenue against instructional staff rather than special education.

The errors noted above have been adjusted on the financial statements in order to properly present financial activity in accordance with generally accepted accounting principles (GAAP).

The Center should implement policies and procedures to review classifications on the accounting records as well as the GAAP compilation in order to determine if transactions are properly accounted for and reported.

Officials' Response:

I was unable to review the financials before turning them over to the auditor this year.

In the future, I will review them first.

I would also like to add that we are retaining a new financial compiler for FY14.

LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013 AND JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Accuracy of preparing the financial statements	No	Repeated as Finding 2013-001



Dave Yost • Auditor of State

LOGAN COUNTY EDUCATIONAL SERVICE CENTER

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 22, 2014