



Dave Yost • Auditor of State



**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

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

We have audited the accompanying financial statements of Shared Service Council of Governments, Franklin County, Ohio, component unit of the Educational Service Center of Central Ohio, (the Council), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shared Service Council of Governments, Franklin County as of June 30, 2013, and the changes in its financial position and its cash flows 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 7, 2014, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



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

March 7, 2014

**THE SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
Unaudited*

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The management's discussion and analysis of The Shared Services Council of Governments (the Council), a jointly governed entity between The Educational Service Center of Central Ohio (Center) and the Gahanna-Jefferson Public School District (Gahanna), provides an overall review of the Council's financial activities for the period July 1, 2012 through June 30, 2013. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Council's financial performance. 2009 was the 1st year of operations, with operations beginning on September 3, 2008. The primary operations of the Council are to employ personnel on behalf of other governmental entities and Agencies throughout Central Ohio.

**FINANCIAL HIGHLIGHTS**

- Net Position at June 30, 2013 is \$557,954; an increase of \$85,979 from fiscal year 2012.
- Operating revenues were \$42,413,415; an increase of \$18,082,103.

**AGENCY ACTIVITIES**

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

The assets and liabilities of The Educational Council are presented on the Statement of Net Position as restricted assets and liabilities. The operations of The Educational Council are excluded from the Statement of Revenues and Expenses and Changes in Net Position, as well as the Statement of Cash Flows, as the Council and the Educational Service Center of Central Ohio are acting custodians of The Educational Council.

**THE SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
Unaudited*

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OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts – management's discussion and analysis, the basic financial statements, and the notes to the basic financial statements. These statements are organized so the reader can understand the financial position of the Council. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of net position represents the basic statement of position for the Council. The statement of revenues, expenses and changes in net position presents increases (e.g., revenue) and decreases (e.g., expenses) in net total position. The statement of cash flows reflects how the Council's meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

The following tables represent the Council's condensed financial information for the fiscal year ended June 30, 2013 and June 30, 2012, derived from the statements of net position and the statement of revenues, expenses, and changes in net position.

	<u>Net Position</u>	<u>Net Position</u>
	2013	2012
Current and other assets	\$ 3,417,401	\$ 1,859,507
Restricted assets	980,156	-
Total assets	<u>4,397,557</u>	<u>1,859,507</u>
Current liabilities	2,859,447	1,387,532
Restricted liabilities	980,156	-
Total liabilities	<u>3,839,603</u>	<u>1,387,532</u>
Net position		
Unrestricted	557,954	471,975
Total net position	<u>\$ 557,954</u>	<u>\$ 471,975</u>

**THE SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
Unaudited*

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Changes in Net Position – The following table shows the changes in net position for the fiscal years ending June 30, 2013 and June 30, 2012:

	<u>Change in Net Position 2013</u>	<u>Change in Net Position 2012</u>
Operating Revenues:		
Charges for Services	\$ 42,413,415	\$ 24,331,312
Total revenues	<u>42,413,415</u>	<u>24,331,312</u>
Expenses:		
Personnel Services	33,737,497	19,056,599
Employee benefits	8,523,528	5,366,696
Purchased services	<u>66,411</u>	<u>57,152</u>
Total expenses	<u>42,327,436</u>	<u>24,480,447</u>
Change in Net Position	85,979	(149,135)
Net Position Beginning of Year	<u>471,975</u>	<u>621,110</u>
Net Position End of Year	<u>\$ 557,954</u>	<u>\$ 471,975</u>

The Council operates as a business-type enterprise fund. Results of the period ended June 30, 2013 indicate an increase in net position of \$85,979. Charges for services revenue is primarily the cost of employing personnel on behalf of other entities.

**BUDGET**

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Council maintains no capital assets.

**Debt**

The Council has not issued any debt.

**ECONOMIC FACTORS**

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

**THE SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Year Ended June 30, 2013  
Unaudited*

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OPERATIONS

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

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Council's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Alan Hutchinson, Treasurer of the Shared Services Council of Governments.

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,100,984
Receivables	2,316,417
Restricted Assets:	
Cash held on behalf of others	901,236
Receivables	78,920
Total Current Assets	4,397,557
<b>TOTAL ASSETS</b>	<b>4,397,557</b>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	29,560
Due to other governments	863,481
Accrued wages and benefits	1,966,406
Payables from restricted assets	980,156
<b>TOTAL LIABILITIES</b>	<b>3,839,603</b>
 <b>NET POSITION:</b>	
Unrestricted	557,954
<b>TOTAL NET POSITION</b>	<b>\$ 557,954</b>

The notes to the basic financial statements are an integral part of this statement.

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE PERIOD ENDED JUNE 30, 2013**

Operating Revenues:	
Charges for services	\$ 42,413,415
Total operating revenues	42,413,415
Operating Expenses:	
Personnel service	33,737,497
Employee benefits	8,523,528
Purchased Services / Supplies	66,411
Total operating expenses	42,327,436
Operating income	85,979
Change in net position	85,979
Net assets at beginning of year	471,975
Net assets at end of the year	\$ 557,954

The notes to the basic financial statements are an integral part of this statement.

**SHARED SERVICES CENTER COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED JUNE 30, 2013**

Cash flows from operating activities:	
Cash received from customers	\$ 40,776,902
Cash payments supplies and material	(37,603)
Cash payments for personnel services	(32,343,701)
Cash payments for benefits	(8,076,416)
Net cash flows provided by operating activities	<u>319,182</u>
Net increase in cash and cash equivalents	319,182
Cash and cash equivalents at beginning of year	781,802
Cash and cash equivalents at end of year	<u>\$ 1,100,984</u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating Income	\$ 85,979
Changes in assets and liabilities:	
Increase in receivable	(1,238,712)
Increase in accounts payable	29,467
Increase in due to other governments	372,270
Increase in accrued liabilities	1,070,178
Net cash provided by operating activities	<u>\$ 319,182</u>

The notes to the basic financial statements are an integral part of this statement.

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**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**1. DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*(A) Basis of Presentation*

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

*(B) Measurement focus*

Enterprise accounting uses a flow of economic *resources measurement focus*. With this measurement focus, all assets and liabilities associated with the operations are included on the Statement of Net Position. The difference between total assets and total liabilities is defined as net position. The statement of Revenues, Expenses, and Changes in net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The Statement of Cash Flows provides information about how the Council finances and meets the cash flow needs of its enterprise activities.

*(C) Basis of Accounting*

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

Revenues – Exchange and Non-exchange Transactions

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

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include grants, entitlements, and fees. Revenue from grants, entitlements, and fees is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Council must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. Expenses are recognized at the time they are incurred.

*(D) Budgetary Process*

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

*(E) Cash and Cash Equivalents*

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

*(F) Capital Assets and Depreciation*

The Council maintains no capital assets.

*(G) Net Position*

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

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

*(H) Estimates*

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

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(I) Operating Revenues and Expenses*

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

**3. AGENCY ACTIVITIES / RESTRICTED ASSETS AND LIABILITIES**

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

The assets and liabilities of The Educational Council are presented on the Statement of Net Position as restricted assets and liabilities. The operations of The Educational Council are excluded from the Statement of Revenues and Expenses and Changes in Net Position, as well as the Statement of Cash Flows, as the Council and the Educational Service Center of Central Ohio are acting custodians of The Educational Council.

**4. CASH DEPOSITS**

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

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**4. CASH DEPOSITS, continued**

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

**5. RECEIVABLES**

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

**6. RELATED PARTY TRANSACTIONS**

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

**7. CONTINGENCIES**

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

**8. RISK MANAGEMENT**

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

**9. PENSION PLANS**

*(A) School Employees Retirement System*

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

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**9. PENSION PLANS (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current Council rate is 14 percent of annual covered payroll. A portion of the Council's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Council's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,452,707, \$1,643,545, and \$1,044,304 respectively; equal to 100 percent of the required contribution for each year.

*(B) State Teachers Retirement System of Ohio*

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

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

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

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**9. PENSION PLANS (Continued)**

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The Council was required to contribute 14 percent; 13.0 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Council's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,273,288, \$1,214,519, and \$763,110, respectively; equal to 100% of the required contribution each year. Contributions to the DC and Combined Plans for fiscal year 2013 are available from the Treasurer's office upon request.

**10. POSTEMPLOYMENT BENEFITS**

*(A) School Employees Retirement System*

Plan Description - The Council participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2013, .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 2013, this amount was \$20,525.

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

**SHARED SERVICES COUNCIL OF GOVERNMENTS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

*(C) State Teachers Retirement System of Ohio*

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The Council’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$162,378, \$112,777, and \$54,508 respectively; with 100 percent being contributed.

**11. HEALTH & DENTAL BENEFITS**

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

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# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the basic financial statements of the Shared Services Council of Governments, Franklin County, a component unit of the Educational Service Center of Central Ohio, (the Council) as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated March 7, 2014.

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

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

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

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

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

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

***Purpose of this Report***

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

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

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

March 7, 2014



# Dave Yost • Auditor of State

**SHARED SERVICES COUNCIL OF GOVERNMENT**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2014**