



Dave Yost • Auditor of State

**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY**

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**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Geauga County Educational Service Center
Geauga County
470 Center Street, Building #2
Chardon, Ohio 44024

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Geauga County Educational Service Center, Geauga County, Ohio (the Center), as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Geauga County Educational Service Center, Geauga County, Ohio, as of June 30, 2014 and June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, 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

February 26, 2015

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Geauga County Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key Financial Highlights for 2014 are as follows:

- A presentation of financial information under Governmental Accounting Standards Board (GASB) Statement Number 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".
- In total, net position increased by \$22,418.
- Revenues for governmental activities totaled \$13,120,852 during 2014. Of this total, 3 percent consisted of General revenues while Program revenues accounted for the balance of 97 percent.
- Program expenses totaled \$13,098,434. Instructional expenses made up 48 percent of this total while support services accounted for 52 percent.

Using this Annual Financial Report

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

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole Educational Service Center, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational County Service Center's most significant funds with all other non-major funds presented in total in one column. In the case of Geauga County Educational Service Center, the general fund by far is the most significant fund.

Reporting the Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the Educational County Service Center to provide programs and activities, the view of the Educational Service Center as a whole considers all financial transactions and asks the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

These two statements report the Educational Service Center's net position and changes in that position. This change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The *Statement of Net Position* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction and support services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major fund begins on page 12. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

Governmental Funds

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

The Educational Service Center as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net Position for 2014 compared to 2013:

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
Net Position

	<i>Governmental Activities</i>	
	<i>2014</i>	<i>2013</i>
Assets		
Current and Other Assets	\$2,446,739	\$2,431,591
Capital Assets, Net	22,784	25,465
Total Assets	2,469,523	2,457,056
Liabilities		
Current and Other Liabilities	1,172,966	1,217,119
Long-Term Liabilities		
Due Within One Year	84,103	68,944
Due in More than One Year	318,891	299,848
Total Liabilities	1,575,960	1,585,911
Net Position		
Net Investment in Capital Assets	22,784	25,465
Restricted for Other Purposes	54,330	27,611
Unrestricted	816,449	818,069
Total Net Position	\$893,563	\$871,145

Total assets increased by \$12,467. Current and Other Assets increased by \$15,148. The net increase can be attributed to intergovernmental receivables increasing by \$244,670 and cash and cash equivalents declining by \$229,522. Liabilities decreased by \$9,951 mostly as a result of an decrease in accounts payable.

By comparing assets and liabilities, one can see the overall position of the Educational Service Center remains stable as evidenced by the minimal change in net position.

Table 2 shows the changes in net position from fiscal year 2014 to fiscal year 2013. A comparative analysis of government-wide data is presented below:

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Changes in Net Position

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$12,176,120	\$10,535,710
Operating Grants and Contributions	459,165	210,611
<i>Total Program Revenues</i>	<u>12,635,285</u>	<u>10,746,321</u>
General Revenues:		
Grants and Entitlements	411,604	1,738,459
Investments	4,245	5,229
Miscellaneous	69,718	77,342
<i>Total General Revenues</i>	<u>485,567</u>	<u>1,821,030</u>
<i>Total Revenues</i>	<u>13,120,852</u>	<u>12,567,351</u>
Program Expenses		
Instruction		
Regular	188,592	133,214
Special	5,727,418	4,271,111
Vocational	452,111	391,484
Adult/Continuing	16,711	7,901
Support Services:		
Pupil	3,999,060	3,837,196
Instructional Staff	684,822	1,891,076
Board of Education	20,584	24,218
Administration	1,379,717	1,575,496
Fiscal	261,247	267,680
Business	32,913	24,580
Operation and Maintenance	100,272	98,346
Pupil Transportation	12,692	4,261
Central	222,295	190,461
<i>Total Program Expenses</i>	<u>13,098,434</u>	<u>12,717,024</u>
Increase (Decrease) in Net Position	22,418	(149,673)
<i>Net Position Beginning of Year</i>	<u>871,145</u>	<u>1,020,818</u>
<i>Net Position End of Year</i>	<u><u>\$893,563</u></u>	<u><u>\$871,145</u></u>

Governmental Activities

Table 2 compares 2014 revenues and expenses to 2013. During the fiscal year, the Educational Service Center collected significantly more charges for service and sales revenue and grants as compared to fiscal year 2013. This increased collection can be attributed to additional revenues generated due to staff development services offered to participating districts and additional pupil support services offered to participating districts. Expenditures also increased significantly due to the additional pupil and staff support offered to the participating districts.

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$463,149 Net Cost of Services for 2014, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

	<i>Total Cost of Services 2014</i>	<i>Net Cost of Services 2014</i>	<i>Total Cost of Services 2013</i>	<i>Net Cost of Services 2013</i>
Instruction:				
Regular	\$188,592	(\$31,229)	\$133,214	\$14,768
Special	5,727,418	221,162	4,271,111	582,970
Vocational	452,111	19,773	391,484	54,561
Adult/Continuing	16,711	635	7,901	4,544
Support Services:				
Pupil	3,999,060	144,516	3,837,196	530,240
Instructional Staff	684,822	16,006	1,891,076	273,482
Board of Education	20,584	783	24,218	3,375
Administration	1,379,717	66,985	1,575,496	423,320
Fiscal	261,247	10,382	267,680	36,621
Business	32,913	1,541	24,580	3,684
Operation and Maintenance of Plant	100,272	3,814	98,346	13,706
Pupil Transportation	12,692	(208,197)	4,261	2,172
Central	222,295	216,978	190,461	27,260
Total	\$13,098,434	\$463,149	\$12,717,024	\$1,970,703

The Educational Service Center's Funds

Information regarding the Educational Service Center's major fund can be found on page 20 & 21 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,120,446 and expenditures of \$13,061,551. The General Fund balance increased \$32,176

General Fund Budgeting Highlights

The Educational Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the general fund.

During the course of fiscal 2014, the Educational Service Center amended its general fund budget significantly. Many of the amendments were due to changes made in service programs offered to the participating districts; such as additional pupil support services and staff development services. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year federal and state grants will be awarded or material changes in existing grants will require a budgetary modification.

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

For the general fund, the original budget basis revenue estimate totaled \$10,926,504 compared to the final budget basis revenue estimate of \$12,417,017. The increase can be attributed to increased collection from customer sales and services revenues. The final budget basis expenditures estimate totaled \$12,773,290 compared to original estimates of \$12,252,080; changes were made to pay for increased services provided to local school districts for special education services, support services for pupils and staff during the fiscal year.

Capital Assets

At the end of fiscal 2014, the Educational Service Center had \$22,784 invested in furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal 2014 values compared to 2013.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<i>2014</i>	<i>2013</i>
Furniture and Fixtures	\$198,776	\$195,520
Accumulated Depreciation	(175,992)	(170,055)
<i>Totals</i>	\$22,784	\$25,465

All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Current Financial Related Activities

Geauga County Educational Service Center is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lorrie Petersen, Treasurer, at Geauga County Educational Service Center, 470 Center St. Bldg 2, Chardon, Ohio 44024-1068 or call 440-279-1700.

Geauga County Educational Service Center

Statement of Net Position

June 30, 2014

	<i>Governmental Activities</i>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,585,239
Intergovernmental Receivable	861,500
Depreciable Capital Assets, net	22,784
<i>Total Assets</i>	2,469,523
<i>Liabilities</i>	
Accounts Payable	1,980
Accrued Wages and Benefits	936,810
Intergovernmental Payable	222,569
Matured Compensated Absences Payable	11,607
Long-Term Liabilities:	
Due Within One Year	84,103
Due in More Than One Year	318,891
<i>Total Liabilities</i>	1,575,960
<i>Net Position</i>	
Net Investment in Capital Assets	22,784
Restricted for Other Purposes	54,330
Unrestricted	816,449
<i>Total Net Position</i>	\$893,563

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	<i>Program Revenues</i>		<i>Net (Expense) Revenue and Changes in Net Assets</i>
<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants and Contributions</i>	<i>Governmental Activities</i>
<i>Governmental Activities</i>			
Instruction:			
Regular	\$188,592	\$107,956	\$111,865
Special	5,727,418	5,436,256	70,000
Vocational	452,111	432,338	0
Adult/Continuing	16,711	16,076	0
Support Services:			
Pupils	3,999,060	3,765,184	89,360
Instructional Staff	684,822	620,712	48,104
Board of Education	20,584	19,801	0
Administration	1,379,717	1,181,179	131,553
Fiscal	261,247	250,082	783
Business	32,913	31,372	0
Operation and Maintenance of Plant	100,272	96,458	0
Pupil Transportation	12,692	213,389	7,500
Central	222,295	5,317	0
<i>Totals</i>	<i>\$13,098,434</i>	<i>\$12,176,120</i>	<i>\$459,165</i>
<i>General Revenues</i>			
Grants and Entitlements not Restricted to Specific Programs			411,604
Miscellaneous			69,718
Investment Earnings			4,245
<i>Total General Revenues</i>			<i>485,567</i>
<i>Change in Net Position</i>			<i>22,418</i>
<i>Net Position Beginning of Year</i>			<i>871,145</i>
<i>Net Position End of Year</i>			<i>\$893,563</i>

See Accompanying Notes to the Basic Financial Statements

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Geauga County Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2014

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,530,909	\$54,330	\$1,585,239
Intergovernmental Receivable	861,500	0	861,500
<i>Total Assets</i>	<u>\$2,392,409</u>	<u>\$54,330</u>	<u>\$2,446,739</u>
<i>Liabilities</i>			
Accounts Payable	\$1,980	\$0	\$1,980
Accrued Wages and Benefits	936,810	0	936,810
Intergovernmental Payable	222,569	0	222,569
Compensated Absences Payable	11,607	0	11,607
<i>Total Liabilities</i>	<u>1,172,966</u>	<u>0</u>	<u>1,172,966</u>
<i>Deferred Inflows of Resources</i>			
Unavailable Revenue	38,628	0	38,628
<i>Fund Balances</i>			
Restricted	0	54,330	54,330
Assigned	2,679	0	2,679
Unassigned	1,178,136	0	1,178,136
<i>Total Fund Balances</i>	<u>1,180,815</u>	<u>54,330</u>	<u>1,235,145</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,392,409</u>	<u>\$54,330</u>	<u>\$2,446,739</u>

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014*

Total Governmental Fund Balances \$1,235,145

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Intergovernmental assets are not available to pay for current-period
expenditures and therefore are deferred in the funds. 38,628

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 22,784

Long-term compensated absences liabilities are not due and
payable in the current period and therefore are not reported
in the funds. (402,994)

Net Position of Governmental Activities \$893,563

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>			
Customer Sales and Services	\$10,157,452	\$0	\$10,157,452
Intergovernmental	411,604	459,165	870,769
Tuition and Fees	2,018,262	0	2,018,262
Interest	4,245	0	4,245
Miscellaneous	69,718	0	69,718
<i>Total Revenues</i>	<u>12,661,281</u>	<u>459,165</u>	<u>13,120,446</u>
<i>Expenditures</i>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	126,029	79,915	205,944
Special	5,618,317	70,116	5,688,433
Vocational	436,003	0	436,003
Adult/Continuing	16,711	0	16,711
<i>Support Services:</i>			
Pupils	3,937,759	89,588	4,027,347
Instructional Staff	648,100	40,130	688,230
Board of Education	20,584	0	20,584
Administration	1,208,273	146,669	1,354,942
Fiscal	257,089	700	257,789
Business	32,612	0	32,612
Operation and Maintenance of Plant	100,272	0	100,272
Pupil Transportation	5,528	5,328	10,856
Central	221,828	0	221,828
<i>Total Expenditures</i>	<u>12,629,105</u>	<u>432,446</u>	<u>13,061,551</u>
<i>Excess of Revenues Over Expenditures</i>	32,176	26,719	58,895
<i>Fund Balances Beginning of Year</i>	<u>1,148,639</u>	<u>27,611</u>	<u>1,176,250</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,180,815</u></u>	<u><u>\$54,330</u></u>	<u><u>\$1,235,145</u></u>

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$58,895

*Amounts reported for governmental activities in the
statement of activities are different because:*

Intergovernmental revenues in the statement of activities that do not 406
provide current financial resources are not reported as revenues in the funds.

Governmental funds report capital outlay as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	3,256	
Depreciation	(5,937)	
	(5,937)	
Total		(2,681)

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

Compensated Absences	(34,202)	
	(34,202)	
Total		(34,202)

Changes in Net Assets of Governmental Activities \$22,418

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over/(Under)
	Original	Final	Actual	
Revenues				
Customer Sales and Services	\$8,277,650	\$9,913,624	\$9,913,624	\$0
Intergovernmental	411,604	411,604	411,604	0
Tuition and Fees	2,179,250	2,018,262	2,018,262	0
Interest	5,000	4,245	4,245	0
Miscellaneous	53,000	69,282	69,282	0
Total Revenues	10,926,504	12,417,017	12,417,017	0
Expenditures				
Current:				
Instruction:				
Regular	127,903	146,010	126,210	19,800
Special	5,394,766	5,605,310	5,569,757	35,553
Vocational	381,108	439,752	439,752	0
Adult/Continuing	0	16,711	16,711	0
Support Services:				
Pupils	3,727,947	3,911,667	3,911,667	0
Instructional Staff	698,641	764,992	763,355	1,637
Board of Education	17,054	20,584	20,584	0
Administration	1,334,570	1,208,943	1,208,943	0
Fiscal	252,753	257,512	256,881	631
Business	26,086	70,538	30,806	39,732
Operation and Maintenance of Plant	98,346	100,206	100,206	0
Transportation	2,430	5,497	5,497	0
Central	190,476	225,568	225,567	1
Total Expenditures	12,252,080	12,773,290	12,675,936	97,354
Excess of Revenues Under Expenditures	(1,325,576)	(356,273)	(258,919)	97,354
Other Financing Sources				
Advances In	5,035	5,035	5,035	0
Total Other Financing Sources	5,035	5,035	5,035	0
Net Change in Fund Balance	(1,320,541)	(351,238)	(253,884)	97,354
Fund Balance Beginning of Year	1,772,183	1,772,183	1,772,183	0
Prior Year Encumbrances Appropriated	9,946	9,946	9,946	0
Fund Balance End of Year	\$461,588	\$1,430,891	\$1,528,245	\$97,354

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	<u>Investment Trust</u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,427,313</u>
<i>Total Assets</i>	<u><u>\$2,427,313</u></u>
<i>Net Position</i>	
Held in Trust for Pool Participants	<u>\$2,427,313</u>
<i>Total Net Position</i>	<u><u>\$2,427,313</u></u>

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year June 30, 2014

	<i>Investment Trust</i>
<i>Additions</i>	
Interest	\$4,245
<i>Deductions</i>	
Distributions to Participants	(710)
Capital Transactions	(117,520)
<i>Total Deductions</i>	(118,230)
<i>Change in Net Position</i>	(113,985)
<i>Net Position Beginning of Year</i>	2,536,934
<i>Net Position End of Year</i>	\$2,422,949

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 1 - Description of the Educational Service Center

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 75 noncertificated, 107 certificated staff that provides services to 11,520 students through the school districts in Geauga County.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or if the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt or the levying of taxes. The Educational Service Center has no component units.

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in note 8 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Explanation of the Educational Service Center's more significant policies follow.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide 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.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Educational Service 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 governmental activities of the Educational Service Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service 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 which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements During the year, the Educational Service Center segregates transactions related to certain Educational Service 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 Educational Service Center at this more detailed level. The focus of governmental statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Educational Service Center are grouped into the categories governmental and fiduciary.

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

General Fund The general fund is the general operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

Fiduciary Fund Type 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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has an investment trust fund which is used to account for the activity of the external investment pool for the Lake-Geauga Computer Association. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no agency funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

The investment trust fund is reported using the economic resources measurement focus.

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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On an 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: grants, investment earnings, tuition, customer services and charges for services, rentals and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service Center, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Data

The Educational Service Center adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

The Educational Service Center's Board adopts an annual appropriation resolution which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund, function, object level for the general fund and fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within funds.

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value that is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2014, the general fund received interest earned in the amount of \$4,245 and the private purpose trust received interest earned in the amount of \$4,245.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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 which services are consumed.

H. Capital Assets

The Educational Service Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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

All reported capital assets, other than land and construction in progress, 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 useful lives for furniture and fixtures of five to ten years.

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

J. 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 Educational Service Center will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund net position.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Net Position

Net position represents the difference between assets and liabilities. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not to be converted to cash.

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

O. 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Educational Service Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

<i>Fund Balance</i>	<i>General Fund</i>	<i>NonMajor Governmental Funds</i>	<i>Total</i>
<i>Restricted For:</i>			
Other Purposes	\$0	\$54,330	\$54,330
<i>Total Restricted</i>	<u>0</u>	<u>54,330</u>	<u>54,330</u>
<i>Assigned to:</i>			
Encumbrances	2,679	0	2,679
<i>Unassigned</i>	<u>1,178,136</u>	<u>0</u>	<u>1,178,136</u>
<i>Total Fund Balances</i>	<u><u>\$1,180,815</u></u>	<u><u>\$54,330</u></u>	<u><u>\$1,235,145</u></u>

Note 4 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget(Non-GAAP Basis) and Actual - General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund type.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 4 - Budgetary Basis of Accounting (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance

	<i>General</i>
<i>GAAP Basis</i>	\$32,176
Net Adjustment for Revenue Accruals	(244,264)
Advance In	5,035
Net Adjustment for Expenditure Accruals	44,152
Adjustment for Encumbrances	(2,679)
<i>Budget Basis</i>	(\$253,884)

Note 5 - Deposits and Investments

State statutes classify monies held by the Educational Service Center into three categories:

Active moneys, those moneys are required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive moneys, those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies are to be deposited or invested in the following securities:

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 5 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio; (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

Deposits At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$4,012,552. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2014, \$3,763,476 of the Educational Service Center's \$4,263,477 bank balance was exposed to custodial risk as discussed below, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 5 - Deposits and Investments (continued)

Investments As of June 30, 2014, the Educational Service Center had no outstanding investments.

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

Concentration of Credit Risk. The Educational Service Center places no limit on the amount that may be invested to any one issue.

Note 6 - Receivables

Receivables at June 30, 2014 consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund</i>	
Customer Sales & Services	\$ 861,500
<i>Total General Fund</i>	861,500
<i>Total Intergovernmental Receivables</i>	\$ 861,500

Note 7 - State Funding

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer’s retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives 90 percent of \$40.52 for each of the 12,000 students who are provided services. The \$40.52 is comprised of the following: \$3.52 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service Center provides services. These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$40.52 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 8 - Jointly Governed Organization and Insurance Purchasing Pool

A. Jointly Governed Organization

The Lake-Geauga Education Computer Association (“Association”) is a jointly governed organization consisting of 22 school districts in Lake, Geauga and Cuyahoga County. This jointly governed 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 districts. The Association is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association’s assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Painesville, Ohio, 44077.

B. Insurance Purchasing Pool

The Educational Service Center participates in a group rating plan for workers’ compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association(OSBA) Workers’ Compensation Group Rating Program (“Plan”) was established as an insurance purchasing pool.

The Plan’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 Plan to cover the costs of administering the program.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<i>Balance at</i>			<i>Balance at</i>
	<i>6/30/13</i>	<i>Additions</i>	<i>Reductions</i>	<i>6/30/14</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, being depreciated:</i>				
Furniture, Fixtures & Equipment	\$ 195,520	\$ 3,256	\$ 0	\$ 198,776
<i>Total Capital Assets, being depreciated</i>	<u>195,520</u>	<u>3,256</u>	<u>0</u>	<u>198,776</u>
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures & Equipment	(170,055)	(5,937)	0	(175,992)
<i>Total Accumulated Depreciation</i>	<u>(170,055)</u>	<u>(5,937)</u>	<u>0</u>	<u>(175,992)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 25,465</u>	<u>\$ (2,681)</u>	<u>\$ 0</u>	<u>\$ 22,784</u>

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$1,508
Pupils	112
Administration	1,252
Business	301
Transportation	1,836
Central	<u>467</u>
<i>Total Depreciation Expense</i>	<u><u>\$5,937</u></u>

There was no significant construction in progress at June 30, 2014.

Note 10 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Educational Service Center was insured under Love Insurance under the Ohio School Plan.

Professional liability was protected by Hylant Administrative Services, LLC with a \$5,000,000 annual aggregate/\$3,000,000 single occurrence limit and no deductible for each claim. Vehicles are covered by Nationwide Insurance Company and have a \$100 deductible for comprehensive and \$500 deductible for collision. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2014, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 8B). The Program is intended to reduce premiums for the participants. 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 Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to districts that can meet the selection criteria. The Districts apply for participation each year. The firm of Compmangement provides administrative, cost control, and actuarial services to the program.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 11 - Pension Plans

A. School Employees Retirement System

Plan Description – The Educational Service 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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 the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$297,284, \$294,893, and \$303,688, respectively. 100 percent has been contributed for all three years.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan 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 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 11 - Pension Plans (continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Educational Service Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$725,013 for fiscal year 2014, \$646,381 for fiscal year 2013, and \$714,209 for fiscal year 2012. For fiscal year 2013, 2012 and 2011, 100 percent has been contributed for the DB plan and 100 percent has been contributed for the Combined Plan.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$40,920 made by the Educational Service Center and \$32,151 made by the plan members. In addition, member contributions of \$30,918 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 12 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 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 2014, this amount was \$20,250. During fiscal year 2014, the Educational Service Center paid \$41,658 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 Educational Service Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$3,177, \$3,602, and \$13,152, respectively. The full amount has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$17,247, \$16,658, and \$17,934, respectively. For fiscal year 2014, 2013 and 2012, 100 percent has been contributed.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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 to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Educational Service Center contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$60,078, \$53,361, and \$54,939, respectively. For fiscal year 2014, 2013 and 2012, 100 percent has been contributed.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 13 - Employee Benefits

A. Compensated Absences

Certified and Classified employees earn ten to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 275 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 68.75 days.

B. Life Insurance

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust.

Note 14 - Long-Term Obligations

Changes in long-term obligations during fiscal year 2014 are as follows:

	<i>Balance July 1,2013</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30,2014</i>	<i>Due Within One Year</i>
Compensated Absences	\$ 368,792	\$103,146	(\$68,944)	\$ 402,994	\$ 84,103
<i>Total Long-Term Obligations</i>	<u>\$ 368,792</u>	<u>\$103,146</u>	<u>(\$68,944)</u>	<u>\$ 402,994</u>	<u>\$ 84,103</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Note 15 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and 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 financial position of the Educational Service Center.

B. Litigation

The Educational Service Center is not a part of or involved in any legal proceedings at this time. The Educational Service Center management is of the opinion that ultimate disposition of any future claims and legal proceedings will not have a material effect on the financial condition of the Educational Service Center.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014(continued)

Note 16 – External Investment Pool

By Statute, the Educational Service Center serves as fiscal agent for a legally separate entity. The Educational Service Center pools money of this entity with the Educational Service Center’s for investment purposes. The Educational Service Center cannot allocate its investment between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each Participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value and carrying amounts for both the internal and external investment pools are disclosed in Note 4, “Deposits and Investment”. Condensed financial information for the investment pool follows:

Statement of Net Assets
June 30, 2014

Assets	
Equity in Cash and Cash Equivalents	\$4,012,552
<i>Total Assets</i>	\$4,012,552

Net Assets Held in Trust for Pool Participants	
Internal Portion	\$1,585,239
External Portion	2,427,313
<i>Total Net Assets Held in Trust for Pool Participants</i>	\$4,012,552

Statement of Changes Net Assets
For Fiscal Year June 30, 2014

Revenues	
Interest	\$8,490
Expenses	
Operating Expenses	0
<i>Net Increase in Assets Resulting from Operations</i>	8,490
Distribution to Participants	(8,490)
Capital Transactions	(342,797)
<i>Total Decrease in Net Assets</i>	(342,797)
<i>Net Assets Beginning of Year</i>	4,355,349
<i>Net Assets End of Year</i>	\$4,012,552

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Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

Financial Highlights

Key Financial Highlights for 2013 are as follows:

- A presentation of financial information under Governmental Accounting Standards Board (GASB) Statement Number 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".
- In total, net position decreased by \$149,673.
- Revenues for governmental activities totaled \$12,567,351 during 2013. Of this total, 14 percent consisted of General revenues while Program revenues accounted for the balance of 86 percent.
- Program expenses totaled \$12,717,024. Instructional expenses made up 38 percent of this total while support services accounted for 62 percent.

Using this Annual Financial Report

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

The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the whole Educational Service Center, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational County Service Center's most significant funds with all other non-major funds presented in total in one column. In the case of Geauga County Educational Service Center, the general fund by far is the most significant fund.

Reporting the Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the Educational County Service Center to provide programs and activities, the view of the Educational Service Center as a whole considers all financial transactions and asks the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

These two statements report the Educational Service Center's net position and changes in that position. This change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The *Statement of Net Position* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction and support services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major fund begins on page 48. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

Governmental Funds

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

The Educational Service Center as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net Position for 2013 compared to 2012:

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1
Net Position

	<i>Governmental Activities</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Current and Other Assets	\$2,431,591	\$2,434,160
Capital Assets, Net	25,465	27,568
Total Assets	2,457,056	2,461,728
Liabilities		
Current and Other Liabilities	1,217,119	1,103,373
Long-Term Liabilities		
Due Within One Year	68,944	38,917
Due in More than One Year	299,848	298,621
Total Liabilities	1,585,911	1,440,911
Net Position		
Net Investment in Capital Assets	25,465	27,568
Restricted for Other Purposes	27,611	71,206
Unrestricted	818,069	922,043
Total Net Position	\$871,145	\$1,020,817

Total assets decreased by \$4,672. Current and Other Assets decreased by \$2,569. The decrease can be mostly attributed to cash and cash equivalents decreasing by \$306,331 and intergovernmental receivables increasing by \$303,762. Liabilities increased by \$145,000 mostly as a result of an increase in accrued wages and the benefits payable and compensated absences.

By comparing assets and liabilities, one can see the overall position of the Educational Service Center remains stable as evidenced by the minimal decrease in net assets.

Table 2 shows the changes in net position from fiscal year 2013 to fiscal year 2012. A comparative analysis of government-wide data is presented below:

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
Changes in Net Position

	<i>Governmental Activities 2013</i>	<i>Governmental Activities 2012</i>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$10,535,710	\$10,256,119
Operating Grants and Contributions	210,611	457,096
<i>Total Program Revenues</i>	10,746,321	10,713,215
General Revenues:		
Grants and Entitlements	1,738,459	970,134
Investments	5,229	6,447
Miscellaneous	77,342	44,177
<i>Total General Revenues</i>	1,821,030	1,020,758
<i>Total Revenues</i>	12,567,351	11,733,973
Program Expenses		
Instruction		
Regular	133,214	158,581
Special	4,271,111	3,502,260
Vocational	391,484	307,339
Adult/Continuing	7,901	16,718
Support Services:		
Pupil	3,837,196	3,770,680
Instructional Staff	1,891,076	2,023,286
Board of Education	24,218	36,650
Administration	1,575,496	1,260,024
Fiscal	267,680	263,709
Business	24,580	22,608
Operation and Maintenance	98,346	92,558
Pupil Transportation	4,261	3,588
Central	190,461	143,802
<i>Total Program Expenses</i>	12,717,024	11,601,803
Increase in Net Position	(149,673)	132,170
<i>Net Position Beginning of Year</i>	1,020,818	888,648
<i>Net Position End of Year</i>	\$871,145	\$1,020,818

Governmental Activities

Table 2 compares 2013 revenues and expenses to 2012. During the year, the Educational Service Center collected significantly more charges for service and sales revenue and grants as compared to fiscal year 2012. This increased collection can be attributed to additional revenues generated due to staff development services offered to participating districts and additional pupil support services offered to participating districts. Expenditures also increased significantly due to the additional pupil and staff support offered to the participating districts.

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$1,970,703 Net Cost of Services for 2013, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

	<i>Total Cost of Services 2013</i>	<i>Net Cost of Services 2013</i>	<i>Total Cost of Services 2012</i>	<i>Net Cost of Services 2012</i>
Instruction:				
Regular	\$133,214	\$14,768	\$158,581	\$23,950
Special	4,271,111	582,970	3,502,260	236,752
Vocational	391,484	54,561	307,339	17,021
Adult/Continuing	7,901	4,544	16,718	228
Support Services:				
Pupil	3,837,196	530,240	3,770,680	323,113
Instructional Staff	1,891,076	273,482	2,023,286	107,024
Board of Education	24,218	3,375	36,650	2,030
Administration	1,575,496	423,320	1,260,024	119,497
Fiscal	267,680	36,621	263,709	37,024
Business	24,580	3,684	22,608	1,536
Operation and Maintenance of Plant	98,346	13,706	92,558	5,126
Pupil Transportation	4,261	2,172	3,588	(126,860)
Central	190,461	27,260	143,802	142,147
<i>Total</i>	<u>\$12,717,024</u>	<u>\$1,970,703</u>	<u>\$11,601,803</u>	<u>\$888,588</u>

The Educational Service Center's Funds

Information regarding the Educational Service Center's major fund can be found on page 56 & 57 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,591,075 and expenditures of \$12,683,667. The General Fund balance decreased \$48,996

General Fund Budgeting Highlights

The Educational Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the general fund.

During the course of fiscal 2013, the Educational Service Center amended its general fund budget significantly. Many of the amendments were due to changes made in service programs offered to the participating districts; such as additional pupil support services and staff development services. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year federal and state grants will be awarded or material changes in existing grants will require a budgetary modification.

Geauga County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

For the general fund, the original budget basis revenue estimate totaled \$10,399,100 compared to the final budget basis revenue estimate of \$11,830,613. The increase can be attributed to increased collection from customer sales and services revenues. The final budget basis expenditures estimate totaled \$12,579,211 compared to original estimates of \$9,489,051; changes were made to pay for increased services provided to local school districts for special education services, support services for pupils and staff during the fiscal year.

Capital Assets

At the end of fiscal 2013, the Educational Service Center had \$25,465 invested in furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal 2013 values compared to 2012.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<i>2013</i>	<i>2012</i>
Furniture and Fixtures	\$195,520	\$191,002
Accumulated Depreciation	(170,055)	(163,434)
<i>Totals</i>	\$25,465	\$27,568

All capital assets are reported at historical cost. For more information on capital assets refer to Note 10 of the basic financial statements.

Current Financial Related Activities

Geauga County Educational Service Center is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lorrie Petersen, Treasurer, at Geauga County Educational Service Center, 470 Center St. Bldg 2, Chardon, Ohio 44024-1068 or call 440-279-1700

Geauga County Educational Service Center

Statement of Net Position

June 30, 2013

	<i>Governmental Activities</i>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,814,761
Intergovernmental Receivable	616,830
Depreciable Capital Assets, net	25,465
<i>Total Assets</i>	2,457,056
<i>Liabilities</i>	
Accounts Payable	52,132
Accrued Wages and Benefits	947,768
Intergovernmental Payable	217,219
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	68,944
Due in More Than One Year	299,848
<i>Total Liabilities</i>	1,585,911
<i>Net Position</i>	
Net Investment in Capital Assets	25,465
Restricted for Other Purposes	27,611
Unrestricted	818,069
<i>Total Net Position</i>	\$871,145

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2013

	<u>Program Revenues</u>		<i>Net (Expense)</i>
	<i>Charges for</i>	<i>Operating</i>	<i>Revenue and</i>
	<i>Services</i>	<i>Grants and</i>	<i>Changes in</i>
	<i>and Sales</i>	<i>Contributions</i>	<i>Net Assets</i>
<u>Expenses</u>	<u></u>	<u></u>	<u>Governmental</u>
			<u>Activities</u>
<i>Governmental Activities</i>			
Instruction:			
Regular	\$133,214	\$110,204	\$8,242
Special	4,271,111	3,589,112	99,029
Vocational	391,484	336,923	0
Adult/Continuing	7,901	3,357	0
Support Services:			
Pupils	3,837,196	3,274,661	32,295
Instructional Staff	1,891,076	1,577,867	39,727
Board of Education	24,218	20,843	0
Administration	1,575,496	1,122,748	29,428
Fiscal	267,680	229,169	1,890
Business	24,580	20,896	0
Operation and Maintenance of Plant	98,346	84,640	0
Pupil Transportation	4,261	2,089	0
Central	190,461	163,201	0
<i>Totals</i>	<u>\$12,717,024</u>	<u>\$10,535,710</u>	<u>\$210,611</u>
			<u>(\$1,970,703)</u>
 <i>General Revenues</i>			
			1,738,459
Grants and Entitlements not Restricted to Specific Programs			77,342
Miscellaneous			5,229
Investment Earnings			<u>5,229</u>
<i>Total General Revenues</i>			<u>1,821,030</u>
<i>Change in Net Position</i>			(149,673)
<i>Net Position Beginning of Year</i>			<u>1,020,818</u>
<i>Net Position End of Year</i>			<u>\$871,145</u>

See Accompanying Notes to the Basic Financial Statements

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Geauga County Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,782,115	\$32,646	\$1,814,761
Interfund Receivable	5,035	0	5,035
Intergovernmental Receivable	616,830	0	616,830
<i>Total Assets</i>	<u>\$2,403,980</u>	<u>\$32,646</u>	<u>\$2,436,626</u>
Liabilities			
Accounts Payable	\$52,132	\$0	\$52,132
Accrued Wages and Benefits	947,768	0	947,768
Intergovernmental Payable	217,219	0	217,219
Interfund Payable	0	5,035	5,035
<i>Total Liabilities</i>	<u>1,217,119</u>	<u>5,035</u>	<u>1,222,154</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>38,222</u>	<u>0</u>	<u>38,222</u>
Fund Balances			
Restricted	0	27,611	27,611
Assigned	9,524	0	9,524
Unassigned	1,139,115	0	1,139,115
<i>Total Fund Balances</i>	<u>1,148,639</u>	<u>27,611</u>	<u>1,176,250</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,365,758</u>	<u>\$32,646</u>	<u>\$2,398,404</u>

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013*

Total Governmental Fund Balances \$1,176,250

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Intergovernmental assets are not available to pay for current-period
expenditures and therefore are deferred in the funds. 38,222

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 25,465

Long-term compensated absences liabilities are not due and
payable in the current period and therefore are not reported
in the funds. (368,792)

Net Position of Governmental Activities \$871,145

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>			
Customer Sales and Services	\$8,301,814	\$31,530	\$8,333,344
Intergovernmental	1,523,853	425,217	1,949,070
Tuition and Fees	2,226,090	0	2,226,090
Interest	5,229	0	5,229
Miscellaneous	77,342	0	77,342
<i>Total Revenues</i>	<u>12,134,328</u>	<u>456,747</u>	<u>12,591,075</u>
<i>Expenditures</i>			
Current:			
Instruction:			
Regular	127,524	6,549	134,073
Special	4,162,542	98,913	4,261,455
Vocational	391,326	0	391,326
Adult/Continuing	3,901	4,000	7,901
Support Services:			
Pupils	3,784,111	32,136	3,816,247
Instructional Staff	1,815,745	76,202	1,891,947
Board of Education	24,218	0	24,218
Administration	1,288,650	281,143	1,569,793
Fiscal	267,253	1,400	268,653
Business	24,280	0	24,280
Operation and Maintenance of Plant	98,346	0	98,346
Pupil Transportation	2,426	0	2,426
Central	193,002	0	193,002
<i>Total Expenditures</i>	<u>12,183,324</u>	<u>500,343</u>	<u>12,683,667</u>
<i>Excess of Revenues Under Expenditures</i>	(48,996)	(43,596)	(92,592)
<i>Fund Balances Beginning of Year</i>	<u>1,197,635</u>	<u>71,207</u>	<u>1,268,842</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,148,639</u></u>	<u><u>\$27,611</u></u>	<u><u>\$1,176,250</u></u>

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$92,592)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Intergovernmental revenues in the statement of activities that do not (23,724)
provide current financial resources are not reported as revenues in the funds.

Governmental funds report capital outlay as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	4,518	
Depreciation	(6,621)	
Total		(2,103)

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

Compensated Abse		(31,254)
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Changes in Net Position of Governmental Activities (\$149,673)

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Customer Sales and Services	\$7,152,700	\$8,518,394	\$8,518,394	\$0
Intergovernmental	957,500	947,649	947,649	0
Tuition and Fees	2,255,900	2,281,999	2,226,090	(55,909)
Interest	6,000	5,229	5,229	0
Miscellaneous	27,000	77,342	77,342	0
Total Revenues	10,399,100	11,830,613	11,774,704	(55,909)
Expenditures				
Current:				
Instruction:				
Regular	139,130	155,867	129,642	26,225
Special	3,454,455	4,233,528	4,075,710	157,818
Vocational	284,780	389,607	381,273	8,334
Adult/Continuing	5,300	7,427	3,901	3,526
Support Services:				
Pupils	2,865,654	3,961,990	3,776,198	185,792
Instructional Staff	1,095,700	1,896,491	1,819,975	76,516
Board of Education	33,383	30,733	24,218	6,515
Administration	1,112,150	1,300,946	1,281,973	18,973
Fiscal	253,600	270,264	267,841	2,423
Business	0	26,086	26,086	0
Operation and Maintenance of Plant	82,275	98,432	98,346	86
Transportation	22	2,548	2,430	118
Central	162,602	205,292	191,476	13,816
Total Expenditures	9,489,051	12,579,211	12,079,069	500,142
Excess of Revenues Over (Under) Expenditures	910,049	(748,598)	(304,365)	444,233
Other Financing Sources (Uses)				
Advances In	0	4,216	4,216	0
Advances Out	0	(5,035)	(5,035)	(59)
Total Other Financing Sources (Uses)	0	(819)	(819)	(59)
Net Change in Fund Balance	910,049	(749,417)	(305,184)	444,174
Fund Balance Beginning of Year	2,067,702	2,067,702	2,067,702	0
Prior Year Encumbrances Appropriated	9,659	9,659	9,659	0
Fund Balance End of Year	\$2,987,410	\$1,327,944	\$1,772,177	\$444,174

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	<u><i>Investment Trust</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,540,588
<i>Total Assets</i>	<u>\$2,540,588</u>
<i>Net Position</i>	
Held in Trust for Pool Participants	\$2,540,588
<i>Total Net Position</i>	<u>\$2,540,588</u>

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year June 30, 2013

	<i>Investment Trust</i>
<i>Additions</i>	
Interest	\$5,229
<i>Deductions</i>	
Distributions to Participants	(3,654)
Capital Transactions	252,382
<i>Total Deductions</i>	248,728
<i>Change in Net Position</i>	253,957
<i>Net Position Beginning of Year</i>	2,282,977
<i>Net Position End of Year</i>	\$2,536,934

See Accompanying Notes to the Basic Financial Statements

Geauga County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 1 - Description of the Educational Service Center

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 81 noncertificated, 108 certificated staff that provides services to 11,867 students through the school districts in Geauga County.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or if the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt or the levying of taxes. The Educational Service Center has no component units.

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in note 9 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Explanation of the Educational Service Center's more significant policies follow.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide 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.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Educational Service 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 governmental activities of the Educational Service Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service 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 which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements During the year, the Educational Service Center segregates transactions related to certain Educational Service 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 Educational Service Center at this more detailed level. The focus of governmental statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Educational Service Center are grouped into the categories governmental and fiduciary.

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

General Fund The general fund is the general operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

Fiduciary Fund Type 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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has an investment trust fund which is used to account for the activity of the external investment pool for the Lake-Geauga Computer Association. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no agency funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

The investment trust fund is reported using the economic resources measurement focus.

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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On an 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: grants, investment earnings, tuition, customer services and charges for services, rentals and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service Center, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Data

The Educational Service Center adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

The Educational Service Center's Board adopts an annual appropriation resolution which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund, function, object level for the general fund and fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within funds.

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2013 investments were limited to Certificates of Deposit and repurchase agreements.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value that is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2013, the general fund received interest earned in the amount of \$5,229 and the private purpose trust received interest earned in the amount of \$5,229.

G. 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 which services are consumed.

H. Capital Assets

The Educational Service Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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

All reported capital assets, other than land and construction in progress, 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 useful lives for furniture and fixtures of five to ten years.

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

J. 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 Educational Service Center will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund net position.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Net Position

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

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

N. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not to be converted to cash.

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

O. 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.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Educational Service Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 3 – Change in Accounting Principle

For fiscal year 2013, the Educational Service Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61, “The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34”, Statement No. 63, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and Statement No. 66, “Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Educational Service Center’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the Educational Service Center’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Educational Service Center’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Educational Service Center’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Educational Service Center’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Educational Service Center’s financial statements.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

<i>Fund Balance</i>	<i>General Fund</i>	<i>NonMajor Governmental Funds</i>	<i>Total</i>
<i>Restricted For:</i>			
Other Purposes	\$0	\$27,611	\$27,611
<i>Total Restricted</i>	<u>0</u>	<u>27,611</u>	<u>27,611</u>
<i>Assigned to:</i>			
Encumbrances	9,524	0	9,524
<i>Unassigned</i>	<u>1,139,115</u>	<u>0</u>	<u>1,139,115</u>
<i>Total Fund Balances</i>	<u><u>\$1,148,639</u></u>	<u><u>\$27,611</u></u>	<u><u>\$1,176,250</u></u>

Note 5 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund type.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 5 - Budgetary Basis of Accounting (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance

	<i>General</i>
<i>GAAP Basis</i>	(\$48,996)
Net Adjustment for Revenue Accruals	(359,624)
Advance In	4,216
Net Adjustment for Expenditure Accruals	114,201
Advances Out	(5,035)
Adjustment for Encumbrances	(9,946)
<i>Budget Basis</i>	(\$305,184)

Note 6 - Deposits and Investments

State statutes classify monies held by the Educational Service Center into three categories:

Active moneys, those moneys are required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive moneys, those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies are to be deposited or invested in the following securities:

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

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 6 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio; (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

Deposits At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$4,355,349. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2013, \$4,104,230 of the Educational Service Center's \$4,604,230 bank balance was exposed to custodial risk as discussed below, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 6 - Deposits and Investments (continued)

Investments As of June 30, 2013, the Educational Service Center had no outstanding investments.

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

Concentration of Credit Risk. The Educational Service Center places no limit on the amount that may be invested to any one issue.

Note 7 - Receivables

Receivables at June 30, 2013 consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund</i>	
Customer Sales & Services	\$616,830
<i>Total General Fund</i>	616,830
<i>Total Intergovernmental Receivables</i>	\$ 616,830

Note 8 - State Funding

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer’s retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives 90 percent of \$40.52 for each of the 12,000 students who are provided services. The \$40.52 is comprised of the following: \$3.52 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service Center provides services. These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$40.52 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 9 - Jointly Governed Organization and Insurance Purchasing Pool

A. Jointly Governed Organization

The Lake-Geauga Education Computer Association (“Association”) is a jointly governed organization consisting of 22 school districts in Lake, Geauga and Cuyahoga County. This jointly governed 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 districts. The Association is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association’s assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221Auburn Road, Painesville, Ohio, 44077.

B. Insurance Purchasing Pool

The Educational Service Center participates in a group rating plan for workers’ compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association(OSBA) Workers’ Compensation Group Rating Program (“Plan”) was established as an insurance purchasing pool.

The Plan’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 Plan to cover the costs of administering the program.

Note 10 - Capital Assets

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

	<i>Balance at</i>		<i>Balance at</i>
	<i>6/30/12</i>	<i>Additions</i>	<i>6/30/13</i>
	<u> </u>	<u> </u>	<u> </u>
<i>Governmental Activities:</i>			
<i>Capital Assets, being depreciated:</i>			
Furniture, Fixtures & Equipment	\$ 191,002	\$ 4,518	\$ 195,520
<i>Total Capital Assets, being depreciated</i>	<u>191,002</u>	<u>4,518</u>	<u>195,520</u>
 <i>Less Accumulated Depreciation:</i>			
Furniture, Fixtures & Equipment	<u>(163,434)</u>	<u>(6,621)</u>	<u>0</u>
<i>Total Accumulated Depreciation</i>	<u>(163,434)</u>	<u>(6,621)</u>	<u>0</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 27,568</u>	<u>\$ (2,103)</u>	<u>\$ 25,465</u>

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$1,903
Support Services:	
Pupils	112
Instructional Staff	679
Administration	960
Business	300
Transportation	1,835
Central	832
	<hr/>
<i>Total Depreciation Expense</i>	<u><u>\$6,621</u></u>

There was no significant construction in progress at June 30, 2013.

Note 11 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Educational Service Center was insured under the county wide contract held by the Geauga County Commissioners.

Professional liability was protected by Hylant Administrative Services, LLC with a \$5,000,000 annual aggregate/\$3,000,000 single occurrence limit and no deductible for each claim. Vehicles are covered by Nationwide Insurance Company and has a \$100 deductible for comprehensive and \$500 deductible for collision. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2013, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 9B). The Program is intended to reduce premiums for the participants. 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 Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to districts that can meet the selection criteria. The Districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 12 - Pension Plans

A. School Employees Retirement System

Plan Description – The Educational Service 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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 the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$294,893, \$303,688, and \$288,819, respectively. 100 percent has been contributed for all three years.

B. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan 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 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 12 - Pension Plans (continued)

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Educational Service Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$646,381 for fiscal year 2013, \$714,209 for fiscal year 2012, and \$747,058 for the fiscal year ended June 30, 2011. For fiscal year 2013, 2012 and 2011, 100 percent has been contributed for the DB plan and 100 percent has been contributed for the Combined Plan.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$42,858 made by the Educational Service Center and \$30,613 made by the plan members. In addition, member contributions of \$29,870 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

C. Social Security System

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

Note 13 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 13 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the Educational Service Center paid \$42,054 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 Educational Service Center's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,602, \$13,152, and \$34,971, respectively. The full amount has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$16,658, \$17,934, and \$18,586, respectively. For fiscal year 2013, 2012 and 2011, 100 percent has been contributed.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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 to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 post-employment health care. The Educational Service Center contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$53,361, \$54,939, and \$53,361, respectively. For fiscal year 2013, 2012 and 2011, 100 percent has been contributed.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 14 - Employee Benefits

A. Compensated Absences

Certified and Classified employees earn ten to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 65 days.

B. Life Insurance

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust.

Note 15 - Long-Term Obligations

Changes in long-term obligations during fiscal year 2013 are as follows:

	<i>Balance July 1,2012</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30,2013</i>	<i>Due Within One Year</i>
Compensated Absences	\$ 337,538	\$ 70,171	(\$ 38,917)	\$ 368,792	\$ 68,944
<i>Total Long-Term Obligations</i>	<u>\$ 337,538</u>	<u>\$ 70,171</u>	<u>(\$ 38,917)</u>	<u>\$ 368,792</u>	<u>\$ 68,944</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Note 16 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and 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 financial position of the Educational Service Center.

B. Litigation

The Educational Service Center is not a part of or involved in any legal proceedings at this time. The Educational Service Center management is of the opinion that ultimate disposition of any future claims and legal proceedings will not have a material effect on the financial condition of the Educational Service Center.

Geauga County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013(continued)

Note 17 – External Investment Pool

By Statute, the Educational Service Center serves as fiscal agent for a legally separate entity. The Educational Service Center pools money of this entity with the Educational Service Center’s for investment purposes. The Educational Service Center cannot allocate its investment between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each Participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The fair value and carrying amounts for both the internal and external investment pools are disclosed in Note 4, “Deposits and Investment”. Condensed financial information for the investment pool follows:

Statement of Net Position
June 30, 2013

Assets	
Equity in Cash and Cash Equivalents	\$4,355,349
<i>Total Assets</i>	\$4,355,349

Net Position Held in Trust for Pool Participants	
Internal Portion	\$1,814,761
External Portion	2,540,588
<i>Total Net Position Held in Trust for Pool Participants</i>	\$4,355,349

Statement of Changes Net Position
For Fiscal Year June 30, 2013

Revenues	
Interest	\$10,458
Expenses	
Operating Expenses	0
<i>Net Increase in Assets Resulting from Operations</i>	10,458
Distribution to Participants	(10,458)
Capital Transactions	(48,720)
<i>Total Increase in Net Position</i>	(48,720)
<i>Net Position Beginning of Year</i>	4,404,069
<i>Net Position End of Year</i>	\$4,355,349



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*

Geauga County Educational Service Center
Geauga County
470 Center Street, Building #2
Chardon, Ohio 44024

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, the major fund, and the aggregate remaining fund information of Geauga County Educational Service Center, Geauga County, (the Center) as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 26, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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www.auditor.state.oh.us

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2015



Dave Yost • Auditor of State

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**