



Dave Yost • Auditor of State



**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Logan County Educational Service Center, Logan County, Ohio (the Center), as of and for the year ended June 30, 2014, 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 the cash accounting basis Note 2.B describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Logan County Educational Service Center, Logan County, Ohio, as of June 30, 2014, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.B.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2.B of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3.C to the financial statements, during 2014, the Center has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 10 to the financial statements, effective July 1, 2014, the Center merged with the Hardin and Shelby County Educational Service Centers to form the Midwest Regional Educational Service Center. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Center's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net cash position (cash basis), change in net position, governmental activities, major funds cash balances, and general fund cash receipts and cash disbursements. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 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.

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

January 30, 2015

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**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

The management's discussion and analysis of the Logan County Educational Service Center (the "Center") financial performance provides an overall review of the Center's financial activities for the year ended June 30, 2014, which was the first year the Center has prepared their financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- The total cash-basis net position of the Center was \$1,665,715.
- General receipts accounted for \$341,710 or 7.43% of total governmental activities receipts. Program specific receipts accounted for \$4,255,076 or 92.57% of total governmental activities receipts.
- The Center had \$4,165,913 in disbursements related to governmental activities. Program specific charges for services and grants or contributions, in the amount of \$4,255,076, offset these disbursements. The Center also had general receipts of \$341,710.
- The Center's major funds are the general fund and the alternative schools fund. The general fund, the Center's largest major fund, had total cash receipts of \$2,959,774 in 2014. The disbursements of the general fund totaled \$2,673,544. At June 30, 2014, the general fund's cash balance was \$1,005,352.
- The alternative schools fund had total receipts of \$1,377,148 in 2014. The disbursements of the alternative schools fund, totaled \$1,246,742 in 2014. At June 30, 2014, the alternative schools fund's cash balance was \$609,306.

**Using these Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as is applicable to the Center's cash basis of accounting.

The statement of net position - cash basis and statement of activities – cash basis provide information about the activities of the Center as a whole, presenting an aggregate view of the Center's cash-basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column. The general fund and the alternative schools fund are the Center's most significant funds.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

**Reporting the Center as a Whole**

***Statement of Net Position – Cash Basis and the Statement of Activities –Cash Basis***

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did the Center perform financially during 2014?” These statements only present the Center’s net position using the cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. This financial reporting framework takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the Center’s net position and changes in net position on a cash basis. The change in net position is important because it tells the reader that, for the Center as a whole, the cash basis financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center’s required educational programs and other factors.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on revenues and expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the Center’s programs and services, including instruction, support services, operation and maintenance of plant and extracurricular activities.

The Center’s statement of net position – cash basis and statement of activities – cash basis can be found on pages 13-14 of this report.

**Reporting the Center’s Most Significant Funds**

***Fund Financial Statements***

An analysis of the Center’s major governmental funds begins on page 10. Fund financial statements provide detailed information about the Center’s major funds. The Center uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the Center’s most significant funds. The Center’s major governmental funds are the general fund and the alternative schools fund.

***Governmental Funds***

Most of the Center’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the Center’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be readily spent to finance various Center programs. The Center’s significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds, whose activity or balances are not large enough to warrant separate reporting, is aggregated and presented in a single column.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Center. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs. The Center's only fiduciary fund is the agency fund.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-33 of this report.

**The Center as a Whole**

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

<b>Net Position (Cash Basis)</b>	<b>Governmental Activities 2014</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$1,665,715
Total assets	1,665,715
<b>Net Cash Position:</b>	
Restricted	656,533
Unrestricted	1,009,182
Total net cash position	\$1,665,715

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2014, total net cash position of the Center was \$1,665,715. A portion of the Center's net position, \$656,533, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,009,182 may be used to meet the Center's ongoing obligations to the students and creditors.

The table below shows the net cash position for the Center at June 30, 2014.

<b>Change in Net Position</b>	<b>Governmental Activities 2014</b>
<b>Receipts:</b>	
<b>Program revenues:</b>	
Charges for services and sales	\$3,911,806
Operating grants and contributions	343,270
<b>General revenues:</b>	
Grants and entitlements	232,153
Miscellaneous	109,557
Total receipts	4,596,786
	(Continued)

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

**Change in Net Position  
(Continued)**

	<b>Governmental Activities 2014</b>
<b>Disbursements:</b>	
<b>Instruction:</b>	
Regular	45,538
Special	2,592,526
<b>Support Services:</b>	
Pupil	407,891
Instructional staff	262,407
Board of education	10,668
Administration	346,277
Fiscal	236,892
Operations and maintenance	13,060
Central	25,864
<b>Operation of non-instructional services:</b>	
Other non-instructional services	223,621
Extracurricular activities	1,169
Total Disbursements	4,165,913
Change in net position	430,873
Net cash position at beginning of year (restated)	1,234,842
Net cash position at end of year	\$1,665,715

**Governmental Activities**

Governmental net cash position was \$1,665,715 at June 30, 2014; total governmental disbursements of \$4,165,913 were offset by program receipts of \$4,255,076 and general receipts of \$341,710. Program receipts supported more than all the total governmental disbursements.

The primary sources of cash receipts for governmental activities are derived from charges for services and sales. These cash receipts sources represent 85.10% of total governmental cash receipts.

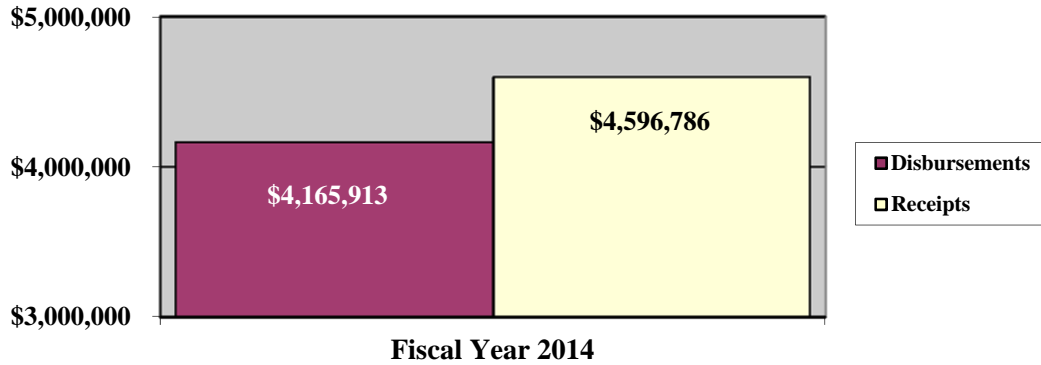
The largest disbursement of the Center is for instructional programs. Instructional disbursements totaled \$2,638,064 or 63.32% of total governmental disbursements for fiscal year 2014.

The graph below presents the Center's governmental activities receipts and disbursements for fiscal years 2014.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

**Governmental Activities - Total Receipts vs. Total Disbursements**



The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state grants and entitlements and miscellaneous revenues.

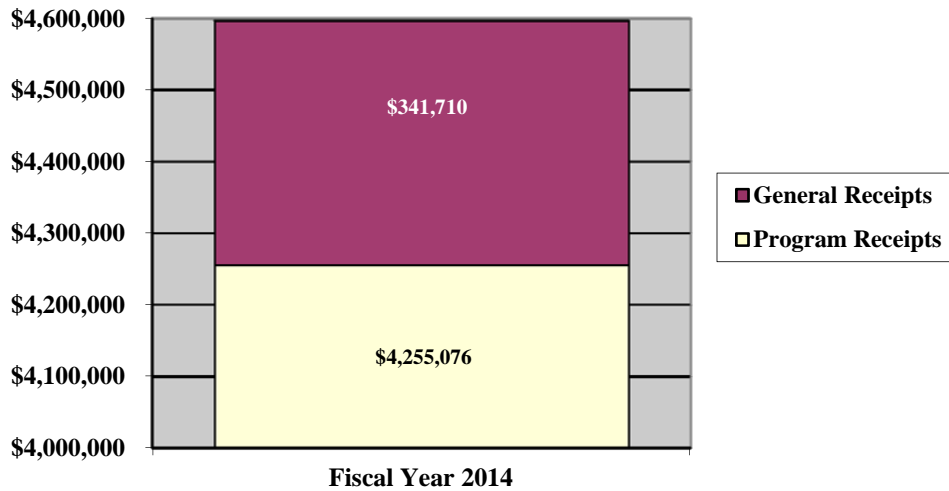
<b>Governmental Activities</b>		
	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	\$45,538	\$945
Special	2,592,526	(81,991)
<b>Support services:</b>		
Pupil	407,891	(19,437)
Instructional staff	262,407	30,249
Board of education	10,668	221
Administration	346,277	(12,774)
Fiscal	236,892	4,916
Operations and maintenance	13,060	271
Central	25,864	(1,263)
<b>Operation of non-instructional services:</b>		
Other non-instructional services	223,621	(10,184)
Extracurricular activities	1,169	(116)
<b>Total</b>	<b>\$4,165,913</b>	<b>(\$89,163)</b>

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

The graph below presents the Center's governmental activities receipts for fiscal year 2014.

**Governmental Activities - General and Program Receipts**



**The Center's Funds**

At June 30, 2014, the Center's governmental funds reported a combined cash fund balance of \$1,665,715, which is \$430,873 higher than last year's total of \$1,234,842. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and June 30, 2013, for all major and non-major governmental funds.

	Fund Cash Balance	(Restated) Fund Cash Balance	Increase
	June 30, 2014	June 30, 2013	
<b>Major Funds:</b>			
General	\$1,005,352	\$719,122	\$286,230
Alternative schools fund	609,306	478,900	130,406
Other governmental funds	51,057	36,820	14,237
<b>Total</b>	<u>\$1,665,715</u>	<u>\$1,234,842</u>	<u>\$430,873</u>

**General Fund**

The general fund, the Center's largest major fund, had total receipts of \$2,959,774 in 2014. The disbursements of the general fund, totaled \$2,673,544 in 2014. The general fund's balance was \$1,005,352 at fiscal year-end.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

	<b>2014 Amount</b>
<b>Cash Receipts:</b>	
Contract services	\$2,618,064
Other revenues	109,557
Intergovernmental	232,153
Total	<u>2,959,774</u>
<b>Cash Disbursements:</b>	
Instruction	1,555,481
Support services	1,083,542
Other non-instructional services	34,521
Total	<u>\$2,673,544</u>

***Alternative Schools Fund***

The alternative schools fund had total receipts of \$1,377,148 in 2014, and disbursements of totaled \$1,246,742. At June 30, 2014, the alternative schools fund's balance was \$609,306.

**Capital Assets and Debt Administration**

***Capital Assets***

The Center does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

At June 30, 2014, the Center had no long-term obligations outstanding. The Center had no capital leases obligations and is not permitted to issue debt.

***Current Issues***

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

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sara Tracey, Treasurer, Logan County Educational Service Center, 121 South Opera Street, Bellefontaine, Ohio 43311.

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**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$1,665,715
Total assets	<u>1,665,715</u>
<b>Net cash position:</b>	
<b>Restricted for:</b>	
Locally funded programs	4,206
State funded programs	635,265
Federally funded programs	11,132
Other purposes	5,930
Unrestricted	1,009,182
Total net cash position	<u><u>\$1,665,715</u></u>

*See accompanying notes to the basic financial statements.*

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	\$45,538	\$44,593		(\$945)
Special	2,592,526	2,578,121	\$96,396	81,991
<b>Support services:</b>				
Pupil	407,891	425,299	2,029	19,437
Instructional staff	262,407	204,893	27,265	(30,249)
Board of education	10,668	10,447		(221)
Administration	346,277	344,454	14,597	12,774
Fiscal	236,892	231,976		(4,916)
Operations and maintenance	13,060	12,789		(271)
Central	25,864	25,327	1,800	1,263
<b>Operation of non-instructional services:</b>				
Other non-instructional services	223,621	33,805	200,000	10,184
Extracurricular activities	1,169	102	1,183	116
Totals	<u>\$4,165,913</u>	<u>\$3,911,806</u>	<u>\$343,270</u>	<u>89,163</u>
<b>General cash receipts:</b>				
Grants and entitlements not restricted to specific programs				232,153
Miscellaneous				109,557
Total general revenues				<u>341,710</u>
Change in net position				430,873
Net cash position at beginning of year (restated)				<u>1,234,842</u>
Net cash position at end of year				<u><u>\$1,665,715</u></u>

See accompanying notes to the basic financial statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Alternative Schools</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$1,005,352	\$609,306	\$51,057	\$1,665,715
Total assets	<u>1,005,352</u>	<u>609,306</u>	<u>51,057</u>	<u>1,665,715</u>
<b>Fund cash balances:</b>				
<b>Restricted:</b>				
Special education			232	232
Other purposes		609,306	46,995	656,301
<b>Committed:</b>				
Other purposes			3,830	3,830
<b>Assigned:</b>				
Student instruction	23,360			23,360
Student and staff support	11,462			11,462
Unassigned	970,530			970,530
Total fund cash balances	<u>\$1,005,352</u>	<u>\$609,306</u>	<u>\$51,057</u>	<u>\$1,665,715</u>

*See accompanying notes to the basic financial statements.*

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Alternative Schools</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
<b>From local sources:</b>				
Extracurricular			\$520	\$520
Contributions and donations			17,948	17,948
Contract services	\$2,618,064	\$1,266,355	39,067	3,923,486
Other local revenues	109,557	110,793	529	220,879
Intergovernmental	232,153		201,800	433,953
Total revenues	<u>2,959,774</u>	<u>1,377,148</u>	<u>259,864</u>	<u>4,596,786</u>
<b>Cash disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	45,538			45,538
Special	1,509,943	1,082,483	100	2,592,526
<b>Support services:</b>				
Pupil	406,875		1,016	407,891
Instructional staff	208,808		53,599	262,407
Board of education	10,668			10,668
Administration	181,375	164,259	643	346,277
Fiscal	236,892			236,892
Operations and maintenance	13,060			13,060
Central	25,864			25,864
<b>Operation of non-instructional services:</b>				
Other operation of non-instructional	34,521		189,100	223,621
Extracurricular activities			1,169	1,169
Total expenditures	<u>2,673,544</u>	<u>1,246,742</u>	<u>245,627</u>	<u>4,165,913</u>
Net change in fund balances	286,230	130,406	14,237	430,873
Fund cash balances				
at beginning of year (restated)	719,122	478,900	36,820	1,234,842
Fund cash balances at end of year	<u>\$1,005,352</u>	<u>\$609,306</u>	<u>\$51,057</u>	<u>\$1,665,715</u>

*See accompanying notes to the basic financial statements.*

LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$167,969</u>
<b>Liabilities:</b>	
Undistributed monies	<u>\$167,969</u>

*See accompanying notes to the basic financial statements.*

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**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

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

**1. DESCRIPTION OF THE ENTITY**

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

The Center is operated under a locally elected Board form of government consisting of five members at-large for staggered four terms. The Center has 24 support staff employees and 26 certified teaching personnel that provide service to the local and city school districts.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations and student related activities of the Center.

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's Governing Board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Center has no component units. The basic financial statements of the reporting entity include only those of the Center (the primary government).

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

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

The following organizations are described due to their relationship to the Center:

**1. Jointly Governed Organizations**

**Western Ohio Computer Organization (WOCO)**

WOCO is a jointly governed organization composed of 28 school districts, 5 educational service centers, 3 parochial schools and 4 community schools. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14 and 61, the Center does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Donn Walls, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**Ohio Hi-Point Joint Vocational School District**

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

**Logan County Family and Children First Council**

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



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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

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

**Logan County Education Foundation**

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

**2. Public Entity Risk Pools**

**Logan County Schools Benefit Plan Association**

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

On January 1, 2014, the Logan County School Employee Consortium formed a regional council of governments (the "COG") for the purpose of providing benefits through a self-funded insurance pool. The COG collects premiums from the Logan County School Employee Consortium participants and pays a third-party administrator to process the claims.

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

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

**Ohio School Plan**

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

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the Center chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP.

The Center's financial statements are prepared using the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursement basis. The Center recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenue (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Fund Accounting**

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Center has no proprietary funds.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the Center are financed. Governmental fund reporting focuses on the sources, uses and balances of the current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Center's major governmental funds:

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

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

**General fund** -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Alternative school** - The alternative school fund is used to account for money committed to alternative educational programs for existing and new at-risk and delinquent youth.

Other governmental funds of the Center are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes.

**2. Fiduciary Funds**

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

**D. Basis of Presentation**

**1. Government-wide Financial Statements**

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the Center's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the Center. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Center.

**2. Fund Financial Statements**

The Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at a more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

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

**E. Cash and Cash Equivalents**

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

At June 30, 2014, the Center had no investments.

**F. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**H. Employer Contributions to Cost-Sharing Pension Plans**

The Center recognizes the disbursements for employer contributions to cost sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**I. Long-Term Obligations**

Capital lease obligations are not recognized as a liability in the financial statements under the cash basis of accounting. The Center had no debt obligations during fiscal year 2014.

**J. Fund Cash Balance**

The Center reports classifications of fund cash balance based on the extent to which the Center is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

**Non-spendable** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

**Restricted** - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Center's highest level of decision-making authority, the Governing Board.

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

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

**Assigned** - amounts that are constrained by the Center's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the Center's formal purchasing procedure by the Treasurer. Through the Center's purchasing policy, the Governing Board has given the Treasurer the authority to constrain monies for intended purposes.

**Unassigned** - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The Center applies restricted resources first when a disbursement is incurred for purposes for which restricted and unrestricted fund cash balance is available. The Center considers committed, assigned, and unassigned fund cash balances, respectively, to be spent when disbursements are incurred for purposes for which any of the unrestricted fund cash balance classifications could be used.

**K. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The Center first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the Center has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the Center.

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

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Center prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The Center can be fined and various other administrative remedies may be taken against the Center.

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**C. Restatement of Net Cash Assets/ Position / Fund Balances**

During fiscal year 2014, the Center changed from the modified accrual basis of accounting to the cash basis of accounting (see Note 2.B). The Center has also elected to present the cash basis financial statements in a GASB 34-like format. The fund balances for June 30, 2013 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

For reporting in accordance with GASB 34-like statements, the Center is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column.

The transition from the modified accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2013:

	<u>General</u>	<u>Alternative School</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balance at June 30, 2013	\$555,375	\$498,403	\$35,764	\$1,089,542
Change in Reporting Basis Adjustments	163,747	(19,503)	1,056	145,300
Restated Fund Cash Balance at June 30, 2013	<u>\$719,122</u>	<u>\$478,900</u>	<u>\$36,820</u>	<u>1,234,842</u>
Governmental Activities Net Cash Assets/Position at June 30, 2013				<u>\$1,234,842</u>

The governmental activities net cash assets/position at June 30, 2013 equal the restated fund cash balances at June 30, 2013 since there are no adjustments required to convert the fund financial statements to the government-wide financial statements.

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Center into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
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(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all Center deposits was \$1,833,684. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,670,756 of the Center's bank balance of \$1,920,756 was exposed to custodial risk as discussed below, while \$250,000 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**B. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents reported in the note above to cash as reported on the statement of net position as of June 30, 2014:

<b>Cash and cash equivalents per note:</b>	<b>Carrying Value</b>
Carrying amount of deposits	\$1,833,684
 <b>Cash and cash equivalents per statement of net position:</b>	 <b>Carrying Value</b>
Governmental activities	\$1,665,715
Agency funds	167,969
Total	\$1,833,684

**5. RISK MANAGEMENT**

**A. Property and Liability**

The Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Center contracted with the Ohio School Plan Insurance for general liability insurance. Property is also protected by the Ohio School Plan. Coverages provided by the Ohio School Plan are as follows:

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



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(Continued)**

**5. RISK MANAGEMENT (Continued)**

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

**B. Health Insurance**

The Center participates in the Logan County Schools Benefit Plan Association/ Logan County School Employee Consortium (the Plan), a public entity self-funded plan consisting of three local school districts, one joint vocational school district and the Center. The Center pays 80 % of monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**C. Workers' Compensation**

For fiscal year 2014, the Center participated in the Ohio School Boards Association Workers Compensation Group Retro Program (GRP), an insurance purchasing pool (Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

The firm of CompManagement Systems Health provides administrative, cost control and actuarial services to the GRP. Each year, the Center pays an enrollment fee to the plan to cover the costs of administering the program.

**6. PENSION PLANS**

**A. School Employees Retirement System**

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

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(Continued)**

**6. PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$94,572, \$95,084 and \$112,471, respectively 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

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

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

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(Continued)**

**6. PENSION PLANS (Continued)**

**Funding Policy** - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$196,088, \$226,933 and \$188,041, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

**7. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**7. POST-EMPLOYMENT 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 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$13,342, \$7,968 and \$11,846, respectively; 100 percent 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 Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,487, \$5,371 and \$6,642, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$15,084, \$17,456 and \$14,465, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**9. OTHER COMMITMENTS**

Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Center's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$34,822
Alternative school fund	14,542
Other governmental	10,900
Total	<u>\$60,264</u>

**10. CEASE OPERATIONS - MERGER**

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

The new government (Midwest Regional Educational Service Center) will recognize the combined assets, deferred outflows of revenues, liabilities, and deferred inflows of resources, as applicable, of the merging entities in the Statement of Net Position of the initial reporting period (7/1/14) in accordance with GASB Statement No. 69.

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan County Educational Service Center, Logan County, (the Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 30, 2015, wherein we noted the Center uses a special purpose framework other than generally accepted accounting principles. We also noted, as discussed in Note 3.C to the financial statements, the Center elected to change its financial presentation comparable to the requirements of *Governmental Auditing Standards*. As discussed in Note 10 to the financial statements, effective July 1, 2014, the Center merged with the Hardin and Shelby County Educational Service Centers to form the Midwest Regional Educational Service Center.

### ***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



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

January 30, 2015



LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2014

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

FINDING NUMBER 2014-001

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

**Ohio Admin. Code § 117-2-03(B)** requires the Center to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2014, the Center prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred inflows/outflows of resources, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the Center should prepare their financial statements according to generally accepted accounting principles.

**Officials' Response:**

The Logan County Educational Service Center determined the cost benefit of preparing GAAP basis compared to OCBOA.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Material Weakness – Financial Reporting</b> -Accuracy of preparing the financial statements	No	Partially Corrected; Reported in Management Letter



# Dave Yost • Auditor of State

LOGAN COUNTY EDUCATIONAL SERVICE CENTER

LOGAN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 24, 2015