SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY

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CLINTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Road
Wilmington, Ohio 45177

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 Southern Ohio Educational Service Center, Clinton County, Ohio (The Center), as of and for the year ended June 30, 2015, 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 opinion.

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 Southern Ohio Educational Service Center, Clinton County, Ohio, as of June 30, 2015, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2015, the Center adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.* We did not modify our opinion regarding this matter.

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*, *Required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions 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.

Supplementary and Other Information

Our audit was conducted to opine on the Center's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, 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 5, 2016

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The discussion and analysis of Southern Ohio Educational Service Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased $251,132.

- General revenues accounted for $771,740 in revenue or 20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $3,143,620 or 80% of total revenues of $3,915,360.

- The Center had $3,664,228 in expenses related to governmental activities; $3,143,620 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $771,740 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Government-wide Financial Statements answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the Center presents:

- Governmental Activities – Most of the Center's programs and services are reported here including instruction and support services.

Fund Financial Statements

The analysis of the Center's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. 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 as a Whole

As stated previously, the Statement of Net position looks at the Center as a whole. Table 1 provides a summary of the Center's net position for 2015 compared to 2014:

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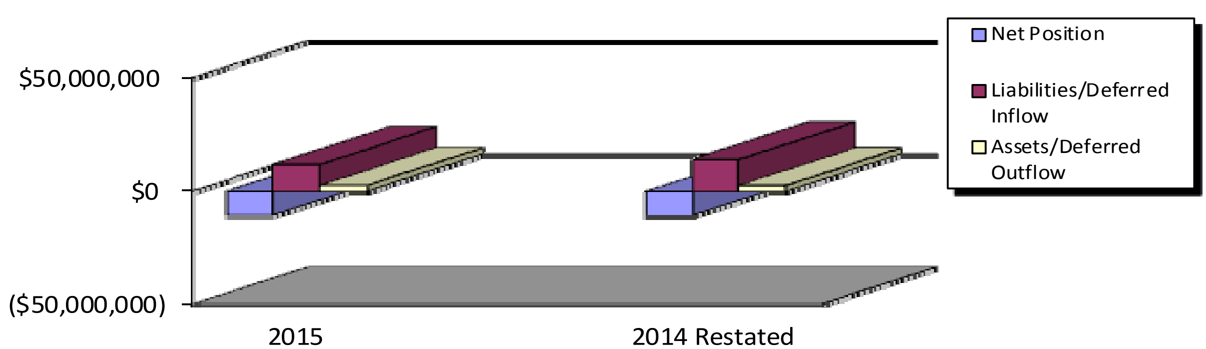
Table 1
Net Position

	Governmental Activities	
	2015	2014 Restated
Assets:		
Current and Other Assets	$2,362,748	$2,306,595
Capital Assets	326,111	341,138
Total Assets	2,688,859	2,647,733
Deferred Outflows of Resources:		
Pension	861,881	725,875
Total Deferred Outflows of Resources	861,881	725,875
Liabilities:		
Other Liabilities	244,475	254,633
Long-Term Liabilities	11,666,895	13,785,751
Total Liabilities	11,911,370	14,040,384
Deferred Inflows of Resources:		
Pension	2,055,014	0
Total Deferred Inflows of Resources	2,055,014	0
Net Position:		
Net Investment in Capital Assets	326,111	341,138
Restricted	36,729	5,844
Unrestricted	(10,778,484)	(11,013,758)
Total Net Position	($10,415,644)	($10,666,776)



During 2015, the Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Center's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Center's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $2,139,377 to $(10,666,776).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Center's assets exceeded liabilities by $(10,415,644).

At year-end, capital assets represented 12% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets at June 30, 2015, were $326,111. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, $36,729 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets remained constant with prior year. Long-Term Liabilities decreased due to decrease in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014 Restated
Revenues:		
Program Revenues		
Charges for Services	$3,047,958	$2,774,909
Operating Grants, Contributions	95,662	225,154
General Revenues:		
Grants and Entitlements	729,485	738,484
Other	42,255	83,522
Total Revenues	3,915,360	3,822,069
Program Expenses:		
Instruction	836,949	807,427
Support Services:		
Pupil and Instructional Staff	1,636,306	1,961,315
School Administrative, General Administration, and Fiscal	834,219	725,316
Operations and Maintenance	69,013	73,558
Central	257,214	449,323
Operation of Non-Instructional Services	30,527	30,408
Total Program Expenses	3,664,228	4,047,347
Change in Net Position	251,132	(225,278)
Net Position Beginning of Year, Restated	(10,666,776)	N/A
Net Position End of Year	($10,415,644)	($10,666,776)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of $725,875 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of $559,292. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

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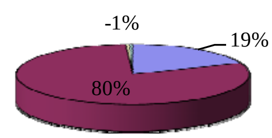
Total 2015 program expenses under GASB 68	$3,664,228
Program expenses under GASB 68	(559,292)
2015 contractually required contributions	754,778
Adjusted 2015 program expenses	3,859,714
Total 2014 program expenses under GASB 27	4,047,347
Decrease in program expenses not related to pension	($187,633)

The Center revenues are mainly from three sources. Charges for services, operating grants and contributions and grants and entitlements comprised 98% of the Center's revenues for governmental activities.

Instruction comprises 22.8% of governmental program expenses. Support services expenses were 76.2% of governmental program expenses.

Charges for services and Operating Grants made up 80% of revenues for governmental activities for the Center in 2015. The Center's reliance upon charges for services and operating grants is demonstrated by the following graph:

Revenue Sources	2015	Percent of Total
General Grants	$729,485	19%
Program Revenues	3,143,620	80%
Investment Earnings	19,162	0.5%
Other Revenues	23,093	0.5%
	$3,915,360	100%



Revenues in total remained constant from prior years. Total expenses decreased in 2015 as compared to 2014 due to the Center continuing to spend conservatively.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services.

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Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$836,949	$807,427	($525,734)	($283,626)
Support Services:				
Pupil and Instructional Staff	1,636,306	1,961,315	436,379	(127,427)
School Administrative, General Administration, and Fiscal	834,219	725,316	(76,299)	(84,742)
Operations and Maintenance	69,013	73,558	(69,013)	(73,558)
Central	257,214	449,323	(255,414)	(447,523)
Operation of Non-Instructional Services	30,527	30,408	(30,527)	(30,408)
Total Expenses	$3,664,228	$4,047,347	($520,608)	($1,047,284)

The Center's Funds

The Center has one major governmental fund: the General Fund. Assets of this fund comprise $2,325,831 (98%) of the total $2,362,748 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was $2,051,069 including $1,863,955 of unassigned balance. The fund balance remained constant from prior year.

General Fund Budgeting Highlights

The 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 budgeted fund is the General Fund.

During the course of fiscal 2015, the Center amended its general fund budget. The Center uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. During the course of the year, the Center revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, original budgeted revenues were $3,270,912 and final budgeted revenues were $3,676,266. Original budgeted expenditures were $5,438,938 and final budgeted expenditures were $5,764,841; actual ending fund balance of $2,061,202.

Capital Assets and Debt Administration

Capital Assets

At the fiscal year end 2015, the Center had $326,111 invested in land, buildings and improvements and equipment. Table 4 shows fiscal 2015 balances as compared to 2014:

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

	Governmental Activities	
	2015	2014
Land	$31,490	$31,490
Buildings and Improvements	288,004	300,957
Equipment	6,617	8,691
Total Net Capital Assets	$326,111	$341,138

Capital assets decreased in fiscal year 2015 due to the recognition of depreciation and deletions.

See Note 5 to the basic financial statements for further details on the Center's capital assets.

Debt

At June 30, 2015, the Center had no outstanding debt obligations.

For the Future

The Center relies heavily on charges for services and intergovernmental revenues. This scenario requires management to plan carefully and prudently to provide the resources to meet needs over the next several years. Financially, the future of the Center is not without challenges. Management must diligently plan future expenditures. All of the Center's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the Center's finances, the Center's management is confident that the Center can continue to provide quality services to other organizations in the future.

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 the Treasurer's Office at Southern Ohio Educational Service Center, 3321 Airborne Road, Wilmington, Ohio 45177.

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Southern Ohio Educational Service Center
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$2,256,263
Receivables (Net):	
Accounts	62,789
Interest	7,893
Intergovernmental	35,803
Nondepreciable Capital Assets	31,490
Depreciable Capital Assets, Net	294,621
Total Assets	2,688,859
Deferred Outflows of Resources:	
Pension	861,881
Total Deferred Outflows of Resources	861,881
Liabilities:	
Accounts Payable	10,149
Accrued Wages and Benefits	234,326
Long-Term Liabilities:	
Due Within One Year	53,127
Due In More Than One Year	
Net Pension Liability	11,417,534
Other Amounts	196,234
Total Liabilities	11,911,370
Deferred Inflows of Resources:	
Pension	2,055,014
Total Deferred Inflows of Resources	2,055,014
Net Position:	
Net Investment in Capital Assets	326,111
Restricted for:	
Federal Grants	36,729
Unrestricted	(10,778,484)
Total Net Position	($10,415,644)

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$286,260	$0	$45,884	($240,376)
Special	530,338	224,306	0	(306,032)
Vocational	20,351	0	0	(20,351)
Other	0	41,025	0	41,025
Support Services:				
Pupil	790,594	1,209,954	23,957	443,317
Instructional Staff	845,712	815,796	22,978	(6,938)
General Administration	38,780	0	0	(38,780)
School Administration	545,910	661,170	0	115,260
Fiscal	249,529	95,707	1,043	(152,779)
Operations and Maintenance	69,013	0	0	(69,013)
Central	257,214	0	1,800	(255,414)
Operation of Non-Instructional Services	30,527	0	0	(30,527)
Total Governmental Activities	$3,664,228	$3,047,958	$95,662	(520,608)

General Revenues:	
Grants and Entitlements, Not Restricted	729,485
Investment Earnings	19,162
Other Revenues	23,093
Total General Revenues	771,740
Change in Net Position	251,132
Net Position - Beginning of Year, Restated	(10,666,776)
Net Position - End of Year	($10,415,644)

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	$2,255,149	$1,114	$2,256,263
Receivables (Net):			
Accounts	62,789	0	62,789
Interest	7,893	0	7,893
Intergovernmental	0	35,803	35,803
Total Assets	2,325,831	36,917	2,362,748
Liabilities:			
Accounts Payable	10,149	0	10,149
Accrued Wages and Benefits	234,326	0	234,326
Compensated Absences	25,113	0	25,113
Total Liabilities	269,588	0	269,588
Deferred Inflows of Resources:			
Grants	0	29,225	29,225
Investment Earnings	5,174	0	5,174
Total Deferred Inflows of Resources	5,174	29,225	34,399
Fund Balances:			
Restricted	0	7,692	7,692
Assigned	187,114	0	187,114
Unassigned	1,863,955	0	1,863,955
Total Fund Balances	2,051,069	7,692	2,058,761
Total Liabilities, Deferred Inflows and Fund Balances	$2,325,831	$36,917	$2,362,748

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balance		$2,058,761
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		326,111
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Interest	$5,174	
Intergovernmental	29,225	
		34,399
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(224,248)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	$861,881	
Deferred inflows of resources related to pensions	(2,055,014)	
		(1,193,133)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(11,417,534)
Net Position of Governmental Activities		($10,415,644)

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Charges for Educational Services	$2,718,545	$0	$2,718,545
Charges for Non-Educational Services	293,502	0	293,502
Investment Earnings	18,670	0	18,670
Intergovernmental	729,485	80,201	809,686
Other Revenues	59,004	0	59,004
Total Revenues	3,819,206	80,201	3,899,407
Expenditures:			
Current:			
Instruction:			
Regular	241,807	45,890	287,697
Special	579,924	0	579,924
Vocational	20,862	0	20,862
Support Services:			
Pupil	853,040	12,254	865,294
Instructional Staff	890,380	100	890,480
General Administration	38,726	0	38,726
School Administration	542,230	0	542,230
Fiscal	258,704	575	259,279
Operations and Maintenance	63,445	5,000	68,445
Central	267,240	1,800	269,040
Operation of Non-Instructional Services	30,113	0	30,113
Total Expenditures	3,786,471	65,619	3,852,090
Net Change in Fund Balance	32,735	14,582	47,317
Fund Balance - Beginning of Year	2,018,334	(6,890)	2,011,444
Fund Balance - End of Year	$2,051,069	$7,692	$2,058,761

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds		$47,317
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Depreciation Expense		(15,027)
Governmental funds report center pension contributions as expenditures. However in the Statement of Activites, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Center pension contributions	$754,778	
Cost of benefits earned net of employee contrbutions	(559,292)	
		195,486
current financial resources are not reported as revenues in the funds.		
Interest	$492	
Intergovernmental	15,461	
		15,953
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		7,403
Change in Net Position of Governmental Activities		$251,132

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	$0	$1,049,362
Restricted Cash and Investments	854,339	0
Receivables (Net):		
Accounts	0	122,694
Interest	7,168	0
Intergovernmental	0	357,382
Total Assets	861,507	1,529,438
Liabilities:		
Accounts Payable	500	7,550
Other Liabilities	3,008	1,521,888
Total Liabilities	3,508	$1,529,438
Net Position:		
Restricted for Endowment - Expendable	257,999	
Restricted for Endowment - Nonexpendable	600,000	
Total Net Position	$857,999	

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Investment Earnings	$10,107
Total Additions	10,107
Deductions:	
Scholarships	43,594
Total Deductions	43,594
Change in Net Position	(33,487)
Net Position - Beginning of Year	891,486
Net Position - End of Year	$857,999

See accompanying notes to the basic financial statements.

Note 1 – Description of the Educational Service Center and Reporting Entity

The Southern Ohio Educational Service Center Governing Board (referred to as "Center") organized on July 1, 1997, and operates under current standards prescribed by the Ohio State Board of Education as provided in 3311.053 of the Ohio Revised Code for county educational service centers.

The Center was formerly known as the Clinton-Fayette-Highland Educational Service District after the merger of the Clinton County, Fayette County and the Highland County Educational Service Centers. Effective July 1, 2005, as approved by the governing board, the Center became known as the Southern Ohio Educational Service Center after the expansion of their service to include Adams County Ohio Valley School District. This was a name change only, and did not change the organizational structure or services provided by the Center. The Governing Board is made up of nine elected board members. The elected governing board can, at the January organizational meeting, appoint up to 8 additional members to serve on the governing board for a maximum of 17 members. The resolution to merge explains this issue in more detail.

This Center operates the following office facilities--the Central Board Office at 3321 Airborne Road, Wilmington, Ohio and the Highland County Office at 39 Willettsville Pike, Hillsboro, Ohio.

The Center employs, including Region 14/Hopewell 122 employees to provide service to the eight local school districts in Clinton County (Blanchester, Clinton-Massie, East Clinton), Fayette County (Miami Trace), Highland County (Bright, Fairfield, Lynchburg-Clay), Adams County (Adams County/Ohio Valley): the three city school districts of Hillsboro, Washington Court House, and Wilmington, the one exempted village school district of Greenfield, and the Laurel Oaks Career Development Center.

The Center provides fiscal agent services to the following organizations: Region 14/Hopewell, 5350 West New Market Road, Hillsboro, Ohio; DARE, through the Clinton County Sheriff in Wilmington, Ohio. Region 14/Hopewell is accounted for as an agency trust fund while the other funds with fiscal agent relationships are reported as agency funds for GAAP purposes. The Center also provides fiscal agent services to the Clinton County Alternative School. Participation fees and tuition for the alternative school are included within the General Fund. Grant activity for the alternative school is included within the Special Revenue Fund.

Reporting Entity

The Center reporting entity is comprised of the primary government. The primary government of the Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, preschool, teacher development, gifted, work-study, special education, alternative school, media center cooperative, technology, speech therapy, psychology, social work, and multi-handicap activities and programs.

The Center is associated with six organizations, which are defined as jointly governed organizations, group purchasing pools, and related organizations. These organizations are presented in Notes 12, 13, and 14 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

The 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.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Center are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and programs revenues for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and 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 contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

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, deferred outflows of resources, 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose fund is reported using the economic resources measurement focus.

Fund Accounting

The 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 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 Center are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following is the Center's major governmental fund:

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

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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center has two agency funds. The Center has a private purpose trust which benefits programs for individual students.

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 actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, included grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: grants and interest.

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 Center, deferred inflows of resources include grants, investment earnings and pension.

Expenses/Expenditures

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 the governmental funds.

Equity in Pooled Cash and Investments

Cash received by the Center is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year amounted to $18,670.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of two thousand five hundred dollars ($2,500). The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

Description	Estimated Lives
Building and Improvements	20-50 years
Equipment	3 -10 years

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include the amount in the private purpose trust fund that is restricted by trust agreements to be used for scholarships.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Compensated Absences

The Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Center's past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated Absences are reported in governmental funds only if they have matured.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Center's $36,729 in restricted net position, none were restricted by enabling legislation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, the Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the Center's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The Center applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position are available. The Center considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Interfund Activity

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

On 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 on the Statement of Net position.

As a general rule the effect of internal activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

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.

Note 3 – Equity in Pooled Cash and Investments

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the Center into three categories:

> Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the Center. Such monies must by law be maintained either as cash in the Center treasury, in depository accounts payable or withdrawable on demand.
>
> Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.
>
> Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

(3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

(5) Bonds, and other obligations of the State of Ohio.

(6) The Ohio State Treasurer's investment pool (STAR Ohio).

(7) Commercial paper and banker’s acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation, 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Center's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2015, $1,488,330 of the Center's bank balance of $1,738,330 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2015, the Center had the following investments:

	Fair Value	Aggregate Credit Risk	Weighted Average Maturity (Years)
Federal Home Loan Bank	$167,724	6.3%	1.96
Negotiable CD's	2,451,055	91.8%	2.32
Money Market Funds	49,895	1.9%	0.00
Total Fair Value	$2,668,674	100.0%	
Portfolio Weighted Average Maturity			2.25

Interest Rate Risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the Center's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The Center's investments in Federal Home Loan Bank were rated AA+ by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Money Market Funds and negotiable CD's were not rated.

Concentration of Credit Risk – The Center's investment policy allows investments in Federal Agencies or Instrumentalities. The Center had no investments in government sponsored enterprise (GSE) securities at fiscal year end.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center's securities are registered in the name of the Center.

Note 4 – Receivables

Receivables at June 30, 2015, consisted of accounts, interest and intergovernmental.

Note 5 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$31,490	$0	$0	$31,490
Capital Assets, being depreciated:				
Buildings and Improvements	528,710	0	0	528,710
Equipment	74,876	0	0	74,876
Totals at Historical Cost	635,076	0	0	635,076
Less Accumulated Depreciation:				
Buildings and Improvements	227,753	12,953	0	240,706
Equipment	66,185	2,074	0	68,259
Total Accumulated Depreciation	293,938	15,027	0	308,965
Governmental Activities Capital Assets, Net	$341,138	($15,027)	$0	$326,111

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Instructional Staff	$145
School Administration	14,223
Fiscal	123
Central	536
Total Depreciation Expense	$15,027

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Note 6 – Long-Term Liabilities

	Restated Beginning Outstanding	Additions	Deductions	Ending Outstanding	Due In One Year
Governmental Activities:					
Net Pension Liability:					
STRS	$10,566,659	$0	$1,672,056	$8,894,603	$0
SERS	2,965,369	0	442,438	2,522,931	0
Total Net Pension Liability	13,532,028	0	2,114,494	11,417,534	0
Compensated Absences	253,723	44,890	49,252	249,361	53,127
	$13,785,751	$44,890	$2,163,746	$11,666,895	$53,127

Compensated absences will be paid from the fund from which the person is paid.

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Center's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Center's obligation for this liability to annually required payments. The Center cannot control benefit terms or the manner in which pensions are financed; however, the Center does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was $132,136 for fiscal year 2015. The full amount was contributed for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was $622,642 for fiscal year 2015. The full amount was contributed in fiscal year 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$2,522,931	$8,894,603	$11,417,534
Proportion of the Net Pension Liability	0.04985100%	0.03656800%	
Pension Expense	148,369	410,923	559,292

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At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$21,473	$85,630	$107,103
Center contributions subsequent to the measurement date	132,136	622,642	754,778
Total Deferred Outflows of Resources	$153,609	$708,272	$861,881
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$409,479	$1,645,535	$2,055,014

$754,778 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($97,001)	($389,976)	($486,977)
2017	(97,001)	(389,976)	(486,977)
2018	(97,002)	(389,976)	(486,978)
2019	(97,002)	(389,977)	(486,979)
Total	($388,006)	($1,559,905)	($1,947,911)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$3,599,915	$2,522,931	$1,617,466

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$12,733,594	$8,894,603	$5,648,109

Note 8 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Center's surcharge obligation was $473,029.

The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $10,768, $5,798, and $8,079, respectively. For fiscal year 2015, 100 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $38,511, and $35,256 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 9 – Contingent Liabilities

Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2015, if applicable, cannot be determined at this time.

Litigation

The Center 's attorney estimates that all other potential claims against the Center not covered by insurance resulting from all other litigation would not materially affect the financial statements of the Center.

Note 10 – Risk Management

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The current facility at 3321 Airborne Road is leased from the Great Oaks Institute of Career Technology and Development. The Highland County Educational Service Center facility is leased from Hillsboro City School District. The Region 14/Hopewell facility is owned by the Cooperative Districts. The Center contracted with McGavan Governmental Underwriters for general liability educator's legal liability, excess liability, automobile, and property coverage. The plan covers the entire Center, including Region 14/Hopewell, Highland County offices, Clinton County Alternative Center and all classrooms.

The Hylant Group maintains a $50,000.00 public official bond for the Treasurer through The Travelers Casualty and Surety Company of America One Tower Square, Hartford, Connecticut.

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

For fiscal year, the Center participated in the Southwestern Ohio EPC Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting, Inc. provides administrative, cost control and actuarial services to the GRP.

Note 11 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are set by the Governing Board and State laws. Eligible employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated vacation must be used by the end of the calendar year earned or be lost. Unused vacation time is paid to employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all personnel. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave with a maximum payment being limited to 35 days, unless otherwise stated in employment contract.

Health Care Benefits

The Center provides term life insurance, accidental death and dismemberment insurance to all of its eligible employees through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC), using Sun Life Insurance Company.

The Center provides health care, dental, and vision insurance benefits through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC), using the United Health Care, Delta Dental and Vision Service Plan providers.

125 Plan

The Center provides its eligible employees an option to participate in a 125 plan. Through election to participate, the employees can have their portion of their medical premiums tax exempt. Participation is renewed annually with each fiscal year during the month of September. This plan is administered by the American Fidelity Assurance Company.

Deferred Compensation

The Center provides an IRS Section 457b Plan for deferred compensation. Employees may elect to contribute "before tax" dollars into an annuity type program. The Center does not make any employer contributions. The plan is administered by ING Life and Annuity Company.

403b Plan

The Center provides an IRS Section 403b Plan. Employees may elect to contribute "before tax" dollars into a tax sheltered type program. The Center does not make any employer contributions except to those employees who are eligible for post-retirement contributions according to Center's 403b Plan Document. The plan was administered by a third party administrator, The Omni Group.

Note 12 – Jointly-Governed Organization

Miami Valley Educational Computer Association (MVECA)

The Center is a member of the Miami Valley Educational Computer Association (MVECA) which is a technology support consortium for public schools. MVECA is a council of Governments (COG) and an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The General Assembly of MVECA consists of two representatives, the superintendent and the treasurer, from each of the 26 participating school districts. The Board of Directors is elected from this group. The degree of control exercised by any participating district is limited to its representation on the Board. To obtain financial information; write to MVECA, 330 East Enon Road, Yellow Springs, Ohio 45387.

Region 14/Hopewell

Region 14/Hopewell is a jointly governed organization created by the Ohio Department of Education and the participating school districts to offer professional development, technical assistance, and support in areas of school improvement services, special education and early learning school readiness as well as special education and related services to children with special needs in the region. Eighteen local, city and exempted village school districts in Adams, Brown, Clinton, Fayette, and Highland counties receive services from Region 14/Hopewell. This organization is operated under regulations and policies established by the Ohio Department of Education, the Center's governing board, and its own advisory council. The Hopewell Advisory Council is made up of superintendents from the eighteen school districts plus the Center's superintendent and treasurer, developmental disabilities agencies, joint vocational school superintendents, parents of children with special needs in the region, and other members as specified in law. The Advisory Council provides recommendations to the Center regarding both the Ohio Department of Education / Region 14 Performance Agreement activities and the Hopewell Cooperative programs and services. The Center acts as fiscal agent for the Hopewell Center through a written agreement. Region 14/Hopewell receives funding from contracts with each of the member school districts and state and federal grants.

Note 13 – Group Purchasing Pools

Southwestern Ohio Educational Purchasing Cooperative (SWOEPC)

The Southwestern Ohio Educational Purchasing Cooperative (SWOEPC) is a group purchasing pool consisting of public and private school districts. The purpose of a group purchasing pool is to purchase products or services at a reduced rate. The Center participates with the SWOEPC in the purchase of supplies, audio/visual materials, and the management of unemployment and workers compensation.

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public and private school districts who are members of the SWOEPC (described above). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual district acted independently. Each participating district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem or United Healthcare. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating SWOEPC member districts.

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

The Center participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Program (WCGRP) was established through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC) as a group purchasing pool. The WCGRP's business and affairs are conducted by a Board of Directors. The Executive Director of the SWOEPC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

Note 14 – Related Organization

Great Oaks Institute of Technology and Career Development (Great Oaks)

The Center appoints by law one board member to serve on the board of Great Oaks, located in Cincinnati, Ohio. This board member also represents the districts of Clinton-Massie Local and Blanchester Local, per their request. All other districts participating from the counties of Clinton, Fayette, and Highland send their own representatives.

Note 15 – State Funding

The Center is funded by the Ohio Department of Education and by its member districts through the Statement of Settlement .

The state funded portion of the settlement is broken down into two sources of revenue: gifted unit funding and per pupil funding. The gifted funding is based on the number of available units and by the information provided through the Center's Educational Information Management Systems (EMIS). The per pupil funding is based on the Average Daily Membership (ADM) of all the Center's member districts multiplied by $35.00 minus any reduction in funding by the State.

The local funded portion of the settlement is broken down by one source of revenue: per pupil. This source of local revenue is deducted directly from the member districts' state funding formula. Per pupil funding is based on each district's ADM multiplied by $6.50. Districts may have additional per pupil funding deducted if an agreement is on file with the Ohio Department of Education. The additional per pupil deduction is used to provide funding for specific programs or services. The Ohio Department of Education supervises the procedure under which the school districts approve or disapprove the additional funding per pupil.

Note 16 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Improving Teacher Quality	$0	$6,578	$6,578
Parent Mentor	0	1,114	1,114
Total Restricted	0	7,692	7,692
Assigned to:			
Encumbrances	187,114	0	187,114
Total Assigned	187,114	0	187,114
Unassigned (Deficit)	1,863,955	0	1,863,955
Total Fund Balance	$2,051,069	$7,692	$2,058,761

Note 17 – Change in Accounting Principles

The Center adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the Center. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Note 18 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the Center implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	$2,139,377
Adjustments:	
Net Pension Liability	(13,532,028)
Deferred Outflow - Payments Subsequent to Measurement Date	725,875
Restated Net Position June 30, 2014	($10,666,776)

Other than employer contributions subsequent to the measurement date, the Center made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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Required Supplementary Information

Southern Ohio Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Charges for Educational Services	$2,283,045	$2,565,975	$2,565,975	$0
Charges for Non-Educational Services	262,787	295,353	295,353	0
Investment Earnings	24,268	27,276	27,276	0
Intergovernmental	649,051	729,485	729,485	0
Other Revenues	51,761	58,177	58,175	(2)
Total Revenues	3,270,912	3,676,266	3,676,264	(2)
Expenditures:				
Current:				
Instruction:				
Regular	197,095	208,909	140,048	68,861
Special	813,917	862,706	578,338	284,368
Vocational	30,393	32,215	21,596	10,619
Support Services:				
Pupil	1,234,232	1,308,217	876,998	431,219
Instructional Staff	1,407,657	1,492,038	1,000,227	491,811
General Administration	65,718	69,658	46,697	22,961
School Administration	744,656	789,294	529,124	260,170
Fiscal	370,738	392,961	263,432	129,529
Operations and Maintenance	99,867	105,854	70,962	34,892
Central	428,631	454,325	304,569	149,756
Operation of Non-Instructional Services	46,034	48,664	32,623	16,041
Total Expenditures	5,438,938	5,764,841	3,864,614	1,900,227
Excess of Revenues Over (Under) Expenditures	(2,168,026)	(2,088,575)	(188,350)	1,900,225
Other Financing Sources (Uses):				
Transfers In	9,157	10,292	10,292	0
Transfers (Out)	(14,484)	(15,353)	(10,292)	5,061
Total Other Financing Sources (Uses)	(5,327)	(5,061)	0	5,061
Net Change in Fund Balance	(2,173,353)	(2,093,636)	(188,350)	1,905,286
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,249,552	2,249,552	2,249,552	0
Fund Balance End of Year	$76,199	$155,916	$2,061,202	$1,905,286

See accompanying notes to the supplementary information.

Note 1 – Budgetary Process

Annual appropriations are enacted by the Educational Service Center at the fund, function and object level of expenditures. Budgetary integration is employed as a management control device during the year for all funds. During the year, monthly supplemental appropriations were enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as an assignment of fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the 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 as follows:

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 an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

5. Some funds are reported as part of the general fund (GAAP basis as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General Fund
GAAP Basis	$32,735
Revenue Accruals	(143,121)
Expenditure Accruals	107,712
Transfers In	10,292
Transfers (Out)	(10,292)
Encumbrances	(186,670)
Funds Budgeted Elsewhere	994
Budget Basis	($188,350)

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Southern Ohio Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.03656800%	0.03656800%
Center's Proportionate Share of the Net Pension Liability	$8,894,603	$10,566,659
Center's Covered-Employee Payroll	$3,752,989	$3,770,973
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.00%	280.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Southern Ohio Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.049851%	0.049851%
Center's Proportionate Share of the Net Pension Liability	$2,522,931	$2,965,369
Center's Covered-Employee Payroll	$1,441,520	$1,377,988
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.02%	215.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

Southern Ohio Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually Required Contribution	$622,643	$523,074	$535,585	$497,106	$529,162
Contributions in Relation to the Contractually Required Contribution	(622,643)	(523,074)	(535,585)	(497,106)	(529,162)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Center Covered-Employee Payroll	$4,435,204	$3,752,989	$3,770,973	$3,446,982	$3,693,309
Contributions as a Percentage of Covered-Employee Payroll	14.04%	13.94%	14.20%	14.42%	14.33%

2010	2009	2008	2007	2006
$552,453	$531,985	$515,217	$493,713	$484,190
(552,453)	(531,985)	(515,217)	(493,713)	(484,190)
$0	$0	$0	$0	$0
$3,864,522	$3,733,134	$3,615,139	$3,457,940	$3,406,834
14.30%	14.25%	14.25%	14.28%	14.21%

Southern Ohio Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually Required Contribution	$132,136	$202,801	$219,663	$209,762	$216,186
Contributions in Relation to the Contractually Required Contribution	(132,136)	(202,801)	(219,663)	(209,762)	(216,186)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Center Covered-Employee Payroll	$757,169	$1,441,520	$1,377,988	$1,299,251	$1,329,460
Contributions as a Percentage of Covered-Employee Payroll	17.45%	14.07%	15.94%	16.14%	16.26%

2010	2009	2008	2007	2006
$230,861	$229,782	$229,557	$222,875	$222,708
(230,861)	(229,782)	(229,557)	(222,875)	(222,708)
$0	$0	$0	$0	$0
$1,434,974	$1,429,830	$1,434,973	$1,393,015	$1,298,861
16.09%	16.07%	16.00%	16.00%	17.15%

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SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
Educational Service Center (ESC)			
U.S. DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education:			
Special Education Cluster:			
Special Education - Grants to State:			
IDEA Part B - Parent Mentor, FY15	84.027	$ 12,075	$ 10,960
IDEA Part B - Parent Mentor, FY14		4,571	3,335
Total Special Education Grants to State (IDEA, Part B)		16,646	14,295
School Improvement Grant:			
Ohio Teacher Evaluation System Grant - FY 15	84.367	-	
Ohio Teacher Evaluation System Grant - FY 14		6,195	-
Total School Improvement Grant		6,195	-
Race to the Top Incentive Grant:			
Resident Educator - FY 14	84.395		
Electronic Teacher and Principal Evaluation System - FY15			
Ohio Principal Evaluation System - FY 14		6,563	
Total Race to the Top Incentive Grant		6,563	-
Total Federal Financial Assistance for the ESC:		**29,403**	**14,295**
Region 14 State Support Team (Hopewell)			
U.S. DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education:			
Special Education Cluster:			
Special Education - Grants to State:			
IDEA Part B - FY15	84.027	1,012,537	1,008,125
IDEA Part B - FY14		33,588	28,925
		1,046,126	1,037,050
Special Education - IDEA			
Pre-School Grants for the Handicapped:			
Early Learning - FY15	84.173	42,462	44,791
Early Learning - FY14		4,317	701
		46,779	45,491
Total Special Education Cluster		1,092,905	1,082,541
State Personnel Development Grant:			
State Personnel Development Grant - FY15	84.323	15,643	25,698
State Personnel Development Grant - FY14		7,165	6,297
Total State Personnel Development Grant		22,808	31,996
Race to the Top - Early Learning Challenge			
Early Learning Challenge - FY15	84.412	4,851	5,134
Total Department of Education		1,120,563	1,119,671
Passed through University of Dayton			
Special Education - Presonnel Development to Improve Services - FY15	84.325	-	4,283
Special Education - Personnel Devlopment to Improve Services - FY14		14,361	17,344
Medical Assistance Program/CAFS - Hopewell	93.778	-	-
Total Department of Human Services		-	**-**
Total Federal Financial Assistance Hopewell:		**1,141,294**	**1,141,298**
Total			
TOTAL FEDERAL FINANCIAL ASSISTANCE		**$ 1,170,697**	**$ 1,155,593**

The accompanying notes to this schedule are an intergral part of this schedule.

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Southern Ohio Educational Service Center's (the Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

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

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Road
Wilmington, Ohio 45177

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 the Southern Ohio Educational Service Center, Clinton County, (the Center) as of and for the year ended June 30, 2015, 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 5, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 opinion 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*.

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

February 5, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Road
Wilmington, Ohio 45177

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Southern Ohio Educational Service Center's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Southern Ohio Educational Service Center's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal programs.

Management's Responsibility

The Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for each of the Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Center's major programs. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

February 5, 2016

SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: IDEA Part B CFDA# 84.027 Preschool Subsidy CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost · Auditor of State

SOUTHERN OHIO EDUCATIONAL SERVICE CENTER

CLINTON 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 23, 2016