Pickaway County Educational Service Center
Pickaway County
Regular Audit
For the Fiscal Year Ended June 30, 2017

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT
Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Dave Yost · Auditor of State

Members of the Board
Pickaway County Educational Service Center
2050 Stoneridge Drive
Circleville, Ohio 43113-0954

We have reviewed the *Independent Auditor's Report* of the Pickaway County Educational Service Center, Pickaway County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pickaway County Educational Service Center is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

February 7, 2018

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Pickaway County
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Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Members of the Board
Pickaway County Educational Service Center
2050 Stoneridge Drive
Circleville, Ohio 43113

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 Pickaway County Educational Service Center, Pickaway County, Ohio (the Center), as of and for the year ended June 30, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Opinions

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 Pickaway County Educational Service Center, Pickaway County, Ohio, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Center's proportionate share of the net pension liability, and the schedule of Center contributions on pages 4 through 8, 39, and 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide on opinion on the effectiveness of the Center's 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.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 8, 2017

The Pickaway County Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2017. 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 financial performance.

Financial Highlights

- The Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2017 by $6,335,638.
- The Center's net position of governmental activities increased $28,875.
- General revenues accounted for $277,672 or 6 percent of total revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $4,314,082 or 94 percent of total revenues of $4,591,754.
- The Center had $4,562,879 in expenses related to governmental activities; $4,314,082 of these expenses were offset by program specific revenues.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The statement of net position and statement of activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available 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.

Reporting the Center as a Whole

The analysis of the Center as a whole begins on page 5. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net position and changes to net position. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account nonfinancial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets and required educational support services to be provided.

In the statement of net position and the statement of activities, the Center has only one kind of activity.

- Governmental activities. Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, and pupil transportation.

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's funds begins on page 8. Fund financial statements provide detailed information about the Center's major funds, not the Center as a whole. Some funds are required by State law. Other funds may be established by the Treasurer with approval from the Board to help control, manage, and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major fund is the general fund.

Governmental Funds. Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Reporting the Center's Fiduciary Responsibilities. The Center acts in trustee capacity as an agent for another governmental unit. These activities are reported in an agency fund. All of the Center's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Center as a Whole

As stated previously, the statement of net position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2017 compared to 2016.

Table 1
Net Position
Governmental Position

	2017	2016
Assets:		
Current Assets	$1,211,843	$993,025
Capital Assets, Net	474,949	500,498
Total Assets	1,686,792	1,493,523
Deferred Outflows of Resources	1,590,682	693,407
Liabilities:		
Current and Other Liabilities	377,019	379,925
Long-Term Liabilities	8,786,164	7,520,436
Total Liabilities	9,163,183	7,900,361
Deferred Inflows of Resources	449,929	651,082

Table 1
Net Position
Governmental Position
(Continued)

	2017	2016
Net Position:		
Investment in Capital Assets	$474,949	$500,498
Restricted	24,420	49,935
Unrestricted (Deficit)	(6,835,007)	(6,914,946)
Total Net Position	($6,335,638)	($6,364,513)

Current assets increased $218,818 between years due primarily to an increase in cash and cash equivalents because of an increase in revenues, which was partially offset by a decrease in accounts receivable due to more timely billings and collections of fees to members and other governments for which services are provided. Capital assets, net decreased $25,549 due to depreciation. Deferred outflows of resources increased $897,275 due to an increase in actuarially determined amounts related to the Center's proportionate share of the state-wide net pension liability. Current liabilities remained relatively consistent between years. Long-term liabilities increased $1,265,728 due primarily to an increase in the Center's proportionate share of the state-wide net pension liability. Deferred inflows of resources decreased $201,153 due to a decrease in actuarially determined amounts related to the Center's proportionate share of the state-wide net pension liability.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Table 2
Changes in Net Position
Governmental Activities

	2017	2016
Revenues		
Program Revenues:		
Charges for Services and Sales	$4,138,772	$3,870,540
Operating Grants and Contributions	175,310	164,666
Total Program Revenues	4,314,082	4,035,206
General Revenues:		
Grants and Entitlements not Restricted	252,340	297,974
Investment Earnings	4,663	3,948
Miscellaneous	20,669	30,093
Total General Revenues	277,672	332,015
Total Revenues	4,591,754	4,367,221

Table 2
Changes in Net Position
Governmental Activities
(Continued)

	2017	2016
Program Expenses:		
Instruction		
Regular	$194,006	$180,476
Special	755,262	643,962
Adult/Continuing	5,306	5,227
Support Services		
Pupils	2,107,540	2,079,375
Instructional Staff	315,955	398,810
Board of Education	51,290	62,410
Administration	427,767	412,073
Fiscal	202,564	165,023
Business	21,122	21,982
Operation and Maintenance of Plant	155,134	147,002
Pupil Transportation	132,281	137,451
Central	194,652	165,857
Operation of Non-Instructional Services	0	791
Total Expenses	4,562,879	4,420,439
Change in Net Position	28,875	(53,218)
Net Position at Beginning of Year	(6,364,513)	(6,311,295)
Net Position at End of Year	($6,335,638)	($6,364,513)

Charges for services and sales increased by $268,232 due primarily to an increase in member district charges received from the state foundation. Operating grants and contributions remained relatively consistent between years. Unrestricted grants and entitlements decreased $45,634 as a result of a decrease in state foundation funding.

Special instruction and fiscal support services increased $111,300 and $37,541, respectively, due primarily to increases in personnel costs. All other expenses remained relatively consistent between years.

Governmental Activities

Charges for services and sales comprised 90 percent of revenue for governmental activities and operating grants and contributions comprised 4 percent, while general revenue grants and entitlements comprised 6 percent of revenue for governmental activities of the Center for fiscal year 2017.

As indicated by governmental program expenses, support services are emphasized. Support services for pupils comprised 46 percent of governmental program expenses with support services for instructional staff comprising 7 percent of governmental expenses.

The statement of activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues of the Center.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$954,574	$52,901	$829,665	$66,952
Support Services	3,608,305	195,896	3,589,983	318,208
Operation of Non-Instructional Services	0	0	791	73
Total Expenses	$4,562,879	$248,797	$4,420,439	$385,233

The Center's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $4,591,754 and expenditures of $4,370,030.

The General Fund had $3,982,942 in revenues and $3,742,685 in expenditures resulting in a $240,257 increase in fund balance.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the Center had $474,949 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2017 balances compared to 2016.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2017	2016
Land	$66,900	$66,900
Building	403,152	426,183
Furniture and Equipment	4,897	7,415
Totals	$474,949	$500,498

Changes in capital assets from the prior year resulted from current year depreciation expense. See note 4 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2017, the Center had no outstanding debt obligations. See note 5 to the basic financial statements for more detailed information related to other long-term obligations.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kristin O'Dell, Treasurer, Pickaway County Educational Service Center, 2050 Stoneridge Drive, Circleville, Ohio 43113.

Pickaway County Educational Service Center
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$1,197,328
Accounts Receivable	9,562
Intergovernmental Receivable	4,953
Noncurrent Assets:	
Non-Depreciable Capital Assets	66,900
Depreciable Capital Assets, Net	408,049
Total Assets	1,686,792
Deferred Outflows of Resources	
Pensions	1,590,682
Liabilities	
Current Liabilities:	
Accounts Payable	12,957
Accrued Wages and Benefits	300,458
Intergovernmental Payable	63,604
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within One Year	14,707
Due in More Than One Year	208,288
Net Pension Liability	8,563,169
Total Liabilities	9,163,183
Deferred Inflows of Resources	
Pensions	449,929
Net Postion	
Net Investment in Capital Assets	474,949
Restricted for Other Purposes	24,420
Unrestricted (Deficit)	(6,835,007)
Total Net Position	($6,335,638)

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	$194,006	$133,600	$48,231	($12,175)
Special	755,262	715,174	0	(40,088)
Adult/Continuing	5,306	4,539	129	(638)
Support Services				
Pupils	2,107,540	1,972,198	6,250	(129,092)
Instructional Staff	315,955	316,260	34	339
Board of Education	51,290	47,472	0	(3,818)
Administration	427,767	400,948	1,095	(25,724)
Fiscal	202,564	190,897	244	(11,423)
Business	21,122	20,001	0	(1,121)
Operation and Maintenance of Plant	155,134	110,742	12,480	(31,912)
Pupil Transportation	132,281	117,862	1,970	(12,449)
Central	194,652	109,079	104,877	19,304
Total Governmental Activities	$4,562,879	$4,138,772	$175,310	(248,797)

General Revenues	
Grants and Entitlements not Restricted to Specific Programs	252,340
Investment Earnings	4,663
Miscellaneous	20,669
Total General Revenues	277,672
Change in Net Position	28,875
Net Position Beginning of Year	(6,364,513)
Net Position End of Year	($6,335,638)

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	All Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$1,121,756	$75,572	$1,197,328
Accounts Receivable	2,239	7,323	9,562
Interfund Receivable	6,457	0	6,457
Intergovernmental Receivable	0	4,953	4,953
Total Assets	$1,130,452	$87,848	$1,218,300
Liabilities			
Accounts Payable	$6,520	$6,437	$12,957
Accrued Wages and Benefits	283,013	17,445	300,458
Interfund Payable	0	6,457	6,457
Intergovernmental Payable	60,890	2,714	63,604
Total Liabilities	350,423	33,053	383,476
Fund Balances			
Restricted	0	60,750	60,750
Committed	78,121	0	78,121
Assigned	701,908	0	701,908
Unassigned (Deficit)	0	(5,955)	(5,955)
Total Fund Balances	780,029	54,795	834,824
Total Liabilities and Fund Balances	$1,130,452	$87,848	$1,218,300

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		$834,824
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.		474,949
The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows-pension	1,590,682	
Deferred inflows-pension	(449,929)	
Net pension liability	(8,563,169)	
Total		(7,422,416)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	(222,995)	
		(222,995)
Net Position of Governmental Activities		($6,335,638)

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	$252,340	$165,428	$417,768
Interest	4,663	0	4,663
Program Services	3,698,060	433,502	4,131,562
Gifts and Donations	0	9,882	9,882
Rent	7,210	0	7,210
Miscellaneous	20,669	0	20,669
Total Revenues	3,982,942	608,812	4,591,754
Expenditures			
Current			
Instruction			
Regular	132,787	54,516	187,303
Special	736,608	0	736,608
Adult/Continuing	0	5,306	5,306
Support Services			
Pupils	1,786,844	249,473	2,036,317
Instructional Staff	303,011	1,416	304,427
Board of Education	46,121	0	46,121
Administration	352,964	44,987	397,951
Fiscal	185,177	10,015	195,192
Business	21,122	0	21,122
Operation and Maintenance of Plant	111,043	17,712	128,755
Pupil Transportation	48,438	80,899	129,337
Central	18,570	163,021	181,591
Total Expenditures	3,742,685	627,345	4,370,030
Net Change in Fund Balances	240,257	(18,533)	221,724
Beginning Fund Balances, January 1	539,772	73,328	613,100
Ending Fund Balances, December 31	$780,029	$54,795	$834,824

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds		$221,724
Amounts reported for governmental activities in the statement of activities are different		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, the Center had no capital asset additions. The amount of depreciation is:		
Current year depreciation	(25,549)	
Total		(25,549)
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		426,247
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(549,836)
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.		
Increase in compensated absences	(43,711)	
Total		(43,711)
Change in Net Position of Governmental Activities		$28,875

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center

Statement of Fiduciary Net Position

June 30, 2017

	Agency Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$27,199
Total Assets	$27,199
Liabilities	
Current Liabilities:	
Undistributed Monies	$27,199
Total Liabilities	$27,199

See the accompanying notes to the basic financial statements.

Note 1 – Description of the Center and Reporting Entity

Description of the Entity

The Pickaway County Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a County School District as defined by Section 313 of the Ohio Revised Code (ORC).

The Center is governed by a five member Governing Board elected by the citizens of Pickaway County and is responsible for the provision of special education and support services to public school districts located in the County. The Center also provides support services for the pupils and instructional staff, general administration, business, and fiscal services.

The Center serves Logan Elm Local School District, Teays Valley Local School District, and Westfall Local School District as provided by Senate Bill 140, ORC Section 3313.483. Circleville City School District and other school districts inside and outside of Pickaway County are served on an individual contract basis for various services.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations.

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt, or the levying of taxes. As of June 30, 2017, the Center had no component units.

During fiscal year 2017, the Center was associated with two jointly governed organizations and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association Council of Governments, Pickaway-Ross Career and Technology Center, the Ohio Association of School Business Officials Workers' Compensation Group Rating Program, and Schools of Ohio Risk Sharing Authority. These organizations are discussed in notes 10 and 13.

Note 2 – Summary of Significant Accounting Policies

Fund Accounting

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

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following is the Center's major governmental fund:

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

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

Fiduciary Fund:

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. The Center's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Center has one agency fund used to account for activity of the Pickaway County Family and Children First Council, for which the Center acts as fiscal agent.

Basis of Presentation

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.

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues which are not classified as program, revenues are presented as general revenues of the Center. 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:

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of 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. Fiduciary funds are reported by fund type.

<u>Measurement Focus and Basis of Accounting</u>

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, 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.

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

The modified accrual basis is utilized for reporting purposes by the governmental fund types. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: grants and program services.

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. For the Center, deferred outflows of resources are reported on the government-wide statement of net position for pension. The pension item is further explained in note 6.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources are reported on the government-wide statement of net position for pension. The pension item is further explained in note 6.

Expenses/Expenditures - 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.

Budgetary Process

Although not legally required, the Center adopts its budget for all funds, except for the agency fund. The budget includes the estimated resources and expenditures for each fund and consists of three parts: Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated revenues. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board. Throughout the year, estimated resources and appropriations may be amended or supplemented as circumstances warrant.

Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet and the statement of net position.

As of June 30, 2017, the Center had no investments.

Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and 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 $1,000. 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 except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	5 Years
Building	30 Years
Furniture and Equipment	5-10 Years

Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due to/from other funds." Also, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a nonreimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers within the governmental activities are eliminated on the government-wide financial statements. The Center reported no transfers for the fiscal year ended June 30, 2017.

Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

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.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Center's termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 10 years of current service with the Center and for certified employees and administrators after 10 years of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The Center had no matured compensated absences at June 30, 2017.

Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds upon the occurrence of employee resignations and retirements are reported as a liability in the fund financial statements. The Center had no long-term obligations other than compensated absences and net pension liability at June 30, 2017 as disclosed in note 5.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

None of the Center's restricted net position is restricted by enabling legislation.

Fund Balance

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

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

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

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

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

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

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

Estimates

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

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 positon 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.

Note 3 – Deposits and Investments

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

Deposits **–** Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Center's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2017, the Center's bank balance of $1,342,833 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Note 4 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balance at 6/30/16	Additions	Deletions	Balance at 6/30/17
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$66,900	$0	$0	$66,900
Total Capital Assets Not Being Depreciated	66,900	0	0	66,900
Capital Assets Being Depreciated				
Land Improvements	19,330	0	0	19,330
Building	690,924	0	0	690,924
Furniture and Equipment	95,320	0	0	95,320
Total Capital Assets Being Depreciated	805,574	0	0	805,574
Less Accumulated Depreciation				
Land Improvements	(19,330)	0	0	(19,330)
Building	(264,741)	(23,031)	0	(287,772)
Furniture and Equipment	(87,905)	(2,518)	0	(90,423)
Total Accumulated Depreciation	(371,976)	(25,549)	0	(397,525)
Total Capital Assets Being Depreciated, Net	433,598	(25,549)	0	408,049
Governmental Activities Capital Assets, Net	$500,498	($25,549)	$0	$474,949

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Board of Education	$1,157
Operation and Maintenance of Plant	24,392
Total Depreciation Expense	$25,549

Note 5 – Long-Term Liabilities

The changes in the Center's long-term liabilities during fiscal year 2017 were as follows:

	Balance at 6/30/16	Increase	Decrease	Balance at 6/30/17	Due within One year
Compensated Absences	$179,284	$354,686	($310,975)	$222,995	$14,707
Net Pension Liability	7,341,152	1,222,017	0	8,563,169	0
Total	$7,520,436	$1,576,703	($310,975)	$8,786,164	$14,707

Compensated absences will be paid from the fund from which the employee is paid with the primary fund being the general fund. The Center pays obligations related to employee compensation from the fund benefitting from their service.

Note 6 – 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.

The 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 *intergovernmental payable* 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 years 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. The remaining 0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contributions to SERS was $141,180 for fiscal year 2017. Of this amount, $0 is reported as an intergovernmental payable.

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 website 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 was 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 increased 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 to 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, July 1, 2015, and July 1, 2016 when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was $285,067 for fiscal year 2017. Of this amount $46,157 is reported as an intergovernmental payable.

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, 2016, 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	$2,116,802	$6,446,367	$8,563,169
Proportion of the Net Pension Liability	0.0289217%	0.0192584%	
Pension Expense	$122,735	$427,101	$549,836

At June 30, 2017, 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	$28,550	$260,464	$289,014
Changes of assumptions	141,308	0	141,308
Net difference between projected and actual earnings on pension plan investments	174,605	535,221	709,826
Changes in proportion and differences	4,167	20,120	24,287
Center contributions subsequent to the measurement date	141,180	285,067	426,247
Total Deferred Outflows of Resources	$489,810	$1,100,872	$1,590,682
Deferred Inflows of Resources			
Changes in proportion and differences	$136,820	$313,109	$449,929
Total Deferred Inflows of Resources	$136,820	$313,109	$449,929

$426,247 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, 2018. 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:			
2018	$26,803	$53,884	$80,687
2019	26,676	53,886	80,562
2020	105,230	259,264	364,494
2021	53,101	135,662	188,763
Total	$211,810	$502,696	$714,506

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, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 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 RP-2014 Blue Collar Mortality Table with fully generational projection and a five year set back for both men and women. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 average 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 asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.5 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 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Center's proportionate share of the net pension liability	$2,802,513	$2,116,802	$1,542,832

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 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 %	7.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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	$8,566,698	$6,446,367	$4,657,743

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the Center's net pension liability is expected to be significant.

Note 7 – Postemployment Benefits

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

Health Care Plan

Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund in accordance with the funding policy. For the years ended June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute 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 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $13,975, $12,890, and $19,886, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial report of SERS' Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

State Teachers Retirement System

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan, a self-directed defined contribution plan, and a combined plan that is a hybrid of the defined benefit plan and the defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent comprehensive annual financial report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The Center's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0.

Note 8 – 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 Center contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for general property insurance. The coverage has no deductible with replacement cost coverage of $2,171,394.

Other types and amounts of coverage provided by SORSA are as follows:

General Liability – Occurrence Form:	
Bodily Injury and Property Damage	$15,000,000
Personal Injury/Advertising Liability	15,000,000
Products/Completed Operations	15,000,000
Employee Benefits Liability	15,000,000
Employers Stop Gap Liability	
Bodily Injury by Accident	15,000,000
Bodily Injury by Disease - Policy Limit	15,000,000
Bodily Injury by Disease - Each Employee	15,000,000
Aggregate Limit	15,000,000
General Annual Aggregate	17,000,000
Fire Damage Limit – Any One Event	500,000

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

Public officials' bond insurance is provided by The Travelers Casualty and Surety Company of America. The Treasurer is covered by a bond in the amount of $50,000. The Board President, Vice-President, and Superintendent are covered by bonds in the amount of $20,000 each. The Pre-Service Instructor is covered by a bond in the amount of $10,000. Three Secretaries are covered by bonds in the amount of $5,000 each.

For fiscal year 2017, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund".

This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Note 9 – Interfund Transactions

Interfund Payables/Receivables

At June 30, 2017, the Center had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
Major Fund:		
General Fund	$6,457	$0
Nonmajor Funds:		
Special Programs Fund	0	1,504
Pass Challenge Fund	0	4,953
Total Nonmajor Funds	0	6,457
Total	$6,457	$6,457

The general fund made advances to the special programs and pass challenge funds in anticipation of monies to be received by these funds.

Note 10 – Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments

The Center is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG), which is organized under Ohio Revised Code Chapter 167 as a council of governments. SCOCA COG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county in the SCOCA COG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCA COG including budgeting, appropriating, contracting, and designating management. Each district's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCA COG entered into a merger agreement with Metropolitan Educational Technology Association (META). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The Center paid SCOCA COG $6,575 for services provided during the fiscal year. The Center also paid META $24,136 for internet and telephone services during the fiscal year.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio. The Pickaway-Ross Career and Technology Center has an eleven-member board of education. The Center has three board members as representatives on the Pickaway-Ross Career and Technology Center Board. The Pickaway-Ross Career and Technology Center possesses its own budgeting and taxing authority. The Center has no ongoing financial interest in or financial responsibility to the Pickaway-Ross Career and Technology Center. To obtain financial information write to the Pickaway-Ross Career and Technology Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601-9010.

Note 11 – State Funding

The Center, under State law, provides supervisory services to the local school districts within its territory. The city school district that entered into an agreement with the Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Center's school districts based on each school district's total student count. The State Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Center. The Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Center also receives funding from the State Department of Education, in the amount of $37 multiplied by the average daily membership of the Center. Average daily membership includes the total student counts of all of the local school districts served by the Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlements of each of the school districts served by the Center an amount equal to $6.50 for the city school district and $9.25 for the local school districts multiplied by the school district's total student count and remits this amount to the Center.

Due to provisions in the State budget bill, the per pupil funding in the permanent section of law did not apply to fiscal years 2012 through 2017. Instead, educational service centers received a percentage of the funding that they received the previous year.

The Center may contract with local, city, exempted village, joint vocational, or cooperative education school districts to provide special education and related services or career-technical education services. The individual boards of education have the costs for these services withheld from their foundation settlements to be paid by the foundation to the Center each month.

Note 12 - Contingencies

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2017.

Litigation

The Center is not party to legal proceedings.

Note 13 – Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The Center participates in the Ohio Association of School Business Officials 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Schools of Ohio Risk Sharing Authority

The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool serving school districts in Ohio for their building insurance coverage. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to Center persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance, and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Note 14 - Encumbrances

At June 30, 2017, the Center had encumbrance commitments in governmental funds as follows:

Major Fund:	
General	$34,795
Nonmajor Funds:	
Special Programs	4,864
Bus Driver Safety	1,500
Total	$41,159

Note 15 – 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 governmental funds. The constraints placed on the fund balance for the major fund and all other nonmajor governmental funds are presented below:

	General	Nonmajor Governmental	Total Governmental Funds
Restricted for			
Special Programs	$0	$12,874	$12,874
Bus Driver Safety	0	47,876	47,876
Total Restricted	0	60,750	60,750
Committed for			
Severance Benefits	78,121	0	78,121
Total Committed	78,121	0	78,121
Assigned to			
FY18 Appropriations in Excess of Estimated Receipts	671,607	0	671,607
Other Purposes	30,301	0	30,301
Total Assigned	701,908	0	701,908
Unassigned (Deficit)	0	(5,955)	(5,955)
Total Fund Balances	$780,029	$54,795	$834,824

Note 16 – Subsequent Event

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA) and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements, and supports the technology and instructional needs of schools and provides instructional, core, technology, and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments is in the process of merging with META Solutions; however as of the date of this financial report, the merger has not yet been fully completed.

Note 17 – New Accounting Pronouncements

For the fiscal year ended June 30, 2017, the Center was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” No. 80, “Blending Requirements for Certain Component Units,” and No. 82, “Pension Issues.”

GASB Statement No. 74 replaces GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, "The Financial Reporting Entity," by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions, and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation related to GASB 67, 68, and 73.

None of these Statements had an impact on the Center's financial statements or note disclosures.

Pickaway County Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2014	2015	2016	2017
State Teachers Retirement System				
Center's proportion of the net pension liability	0.02033810%	0.02033810%	0.02045540%	0.01925840%
Center's proportionate share of the net pension liability	$5,892,750	$4,946,930	$5,653,272	$6,446,367
Center's covered-employee payroll	$2,171,623	$2,188,408	$2,254,964	$1,811,386
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	271.35%	226.05%	250.70%	355.88%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%
School Employees Retirement System				
Center's proportion of the net pension liability	0.03318399%	0.03318399%	0.02958000%	0.02892170%
Center's proportionate share of the net pension liability	$1,973,346	$1,679,423	$1,687,880	$2,116,802
Center's covered-employee payroll	$818,280	$964,459	$949,628	$898,200
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	241.16%	174.13%	177.74%	235.67%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	86.5%	63.0%

The amounts presented are as of the Center's measurement date which is the prior fiscal year end.
(1) Information not available prior to 2014.

Pickaway County Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
State Teachers Retirement System										
Contractually required contribution	$247,911	$278,438	$267,177	$267,704	$278,508	$282,311	$284,493	$315,695	$253,594	$285,067
Contributions in relation to the contractually required contribution	247,911	278,438	267,177	267,704	278,508	282,311	284,493	315,695	253,594	285,067
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Center's covered-employee payroll	$1,907,008	$2,141,831	$2,055,208	$2,059,262	$2,142,369	$2,171,623	$2,188,408	$2,254,964	$1,811,386	$2,036,193
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%
School Employees Retirement System										
Contractually required contribution	$32,034	$48,739	$93,819	$96,917	$102,992	$113,250	$133,674	$125,161	$125,748	$141,180
Contributions in relation to the contractually required contribution	32,034	48,739	93,819	96,917	102,992	113,250	133,674	125,161	125,748	141,180
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Center's covered-employee payroll	$326,212	$495,315	$692,903	$771,018	$765,740	$818,280	$964,459	$949,628	$898,200	$1,008,429
Contributions as a percentage of covered-employee payroll	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%

Notes to the Required Supplementary Information

State Teachers Retirement System

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rate, and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

School Employees Retirement System

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financials for the methods and assumptions in this calculation.

Pickaway County Educational Service Center

Schedule of Revenues, Expenditures and Change in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$85,809	$252,795	$252,340	($455)
Interest	4,000	5,015	4,663	(352)
Program Services	3,315,707	3,700,299	3,700,095	(204)
Rent	6,000	7,210	7,210	0
Miscellaneous	15,600	16,600	15,268	(1,332)
Total Revenues	3,427,116	3,981,919	3,979,576	(2,343)
Expenditures				
Current				
Instruction				
Regular	140,233	152,326	137,426	14,900
Special	682,454	811,022	723,182	87,840
Support Services				
Pupils	1,832,036	1,988,806	1,809,438	179,368
Instructional Staff	438,313	445,612	326,253	119,359
Board of Education	75,043	97,848	58,980	38,868
Administration	589,959	791,984	353,683	438,301
Fiscal	244,902	278,144	184,365	93,779
Business	27,000	32,000	25,134	6,866
Operation and Maintenance of Plant	122,847	141,115	124,964	16,151
Pupil Transportation	50,906	51,963	48,218	3,745
Central	7,347	23,454	18,684	4,770
Total Expenditures	4,211,040	4,814,274	3,810,327	1,003,947
Excess of Revenues Over (Under) Expenditures	(783,924)	(832,355)	169,249	1,001,604
Other Financing Sources (Uses)				
Advances In	0	0	683,776	683,776
Advances Out	0	0	(681,840)	(681,840)
Total Other Financing Sources (Uses)	0	0	1,936	1,936
Net Change in Fund Balances	(783,924)	(832,355)	171,185	1,003,540
Fund Balance at Beginning of Year	778,736	778,736	778,736	0
Prior Year Encumbrances Appropriated	23,298	23,298	23,298	0
Ending Fund Balances, December 31	$18,110	($30,321)	$973,219	$1,003,540

See the accompanying notes to the supplementary information.

Note 1 – Budgetary Process

The Center is not required under State statute to file budgetary information with the Ohio Department of Education. However, the Center's Board does follow the budgetary process for control purposes.

The Center's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts of estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

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

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the Governing Board during the fiscal year.

Note 2 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance – budget (non-GAAP budgetary basis) and actual – 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).
5. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the Workers Compensation and Termination Benefits Funds. These funds were excluded from the budgetary presentation for the General Fund.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statement/schedule for the general fund.

Net Change in Fund Balance	
GAAP Basis	$240,257
Adjustments:	
Revenue Accruals	2,035
Expenditure Accruals	(14,677)
Advances In	683,776
Advances Out	(681,842)
Encumbrances	(34,795)
Perspective Differences	(23,569)
Budget Basis	$171,185

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Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Pickaway County Educational Service Center
2050 Stoneridge Drive
Circleville, Ohio 43113

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Pickaway County Educational Service Center, Pickaway County, Ohio (the Center) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 8, 2017

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER

PICKAWAY 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 20, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov