



*SOUTH CENTRAL OHIO EDUCATIONAL
SERVICE CENTER*

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2014

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Education
South Central Ohio Educational Service Center
522 Glenwood Avenue
New Boston, OH 45662

We have reviewed the *Independent Auditor's Report* of the South Central Ohio Educational Service Center, Scioto County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 South Central Ohio Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 13, 2015

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Independent Auditor's Report

South Central Ohio Educational Service Center
522 Glenwood Avenue
New Boston, Ohio 45662

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 South Central Ohio Educational Service Center (Educational Service Center), Scioto County as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the Educational Service 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. Management is also responsible for 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 the *Governmental 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, we consider internal controls 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 entity'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 statement.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9 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 inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the Educational Service Center's basic financial statements taken as a whole. The supplemental information presents additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The schedule of expenditures of federal awards is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and are 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 supplemental information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2015, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

March 16, 2015

South Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Financial Highlights

- In total, net position decreased \$147,262 which represents a significant decrease from the prior fiscal year. The biggest difference reflected on the Educational Service Center's Statement of Net Position was the decrease in overall grant revenue and a continued reduction in State basic aid.
- General revenues accounted for \$839,520 of total revenues. Program specific revenues in the form of charges for services, operating and capital grants, and contributions accounted for \$9,308,604 of total revenues of \$10,148,124.
- The Educational Service Center had \$10,295,386 in expenses related to governmental activities; these expenses were offset by \$9,308,604 of program specific charges for services, grants, and contributions.

Using the Basic Financial Statements

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

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

Reporting the Educational Service Center as a Whole

One of the most important questions asked about the Educational Service Center is "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities, which appear first in the Educational Service Center's financial statements, report information on the Educational Service Center as a whole and its activities in a way that helps answer this question.

South Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the Educational Service Center has only one kind of activity:

- Governmental Activities – All of the Educational Service Center's educational programs and services are reported here including instruction and support services, which include operation and maintenance of plant and pupil transportation.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 8. Fund financial statements provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds.

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

Fiduciary Funds – The Educational Service Center's fiduciary funds are agency funds. All of the Educational Service Center's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Educational Service Center's other financial statements because the Educational Service Center cannot use these assets to finance its operations. Fiduciary funds use the accrual basis of accounting.

South Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The Educational Service Center as a Whole

Recall that the Statement of Net Position provides the perspective of the Educational Service Center as a whole.

Table 1 provides a summary of the Educational Service Center's net position for fiscal years 2014 and 2013:

Table 1
Net Position

	Governmental Activities		Increase (Decrease)
	2014	2013	
Assets			
Current Assets	\$2,543,825	\$2,596,768	(\$52,943)
Capital Assets, Net	1,355,951	1,327,452	28,499
Total Assets	<u>3,899,776</u>	<u>3,924,220</u>	<u>(24,444)</u>
Liabilities			
Other Liabilities	1,042,137	956,545	85,592
Long-Term Liabilities	407,503	370,277	37,226
Total Liabilities	<u>1,449,640</u>	<u>1,326,822</u>	<u>122,818</u>
Net Position			
Net Investment in Capital Assets	1,355,951	1,327,452	28,499
Restricted	64,993	408,805	(343,812)
Unrestricted	1,029,192	861,141	168,051
Total Net Position	<u>\$2,450,136</u>	<u>\$2,597,398</u>	<u>(\$147,262)</u>

Total liabilities increased \$122,818 due mostly to an increase in accrued wages. Wages increased as a result of more students needing special assistance. The School District increased its staffing levels in order to meet the increase in demand for special education.

Net investment in capital assets of governmental activities increased \$28,499 which is insignificant. Restricted net position, when viewed alone, experienced a decrease of \$343,812 when compared to the prior fiscal year. This is primarily due to the Educational Service Center receiving less grant monies related to the Title One program compared to the prior fiscal year.

Unrestricted net position had an increase of \$168,051 as a result of the Educational Service Center receiving a greater amount of monies for services to clients than the costs incurred for providing those services.

South Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net assets for fiscal years 2014 and 2013.

Table 2
Change in Net Position

	Governmental Activities		Increase/ (Decrease)
	2014	2013	
Revenues			
Program Revenues:			
Charges for Services	\$8,674,962	\$7,810,219	\$864,743
Operating Grants, Contributions, and Interest	633,642	1,138,423	(504,781)
Capital Grants and Contributions	0	1,234,030	(1,234,030)
Total Program Revenues	<u>9,308,604</u>	<u>10,182,672</u>	<u>(874,068)</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	819,326	1,086,942	(267,616)
Investment Earnings	4,900	9,286	(4,386)
Miscellaneous	15,294	41	15,253
Total General Revenues	<u>839,520</u>	<u>1,096,269</u>	<u>(256,749)</u>
Total Revenues	<u>10,148,124</u>	<u>11,278,941</u>	<u>(1,130,817)</u>
Expenses			
Regular	295,404	308,020	(12,616)
Special	4,680,034	4,176,220	503,814
Adult/Continuing	152,781	153,079	(298)
Support Services:			
Pupils	2,299,228	2,145,560	153,668
Instructional Staff	1,471,767	1,579,735	(107,968)
Board of Education	35,382	32,386	2,996
Administration	667,659	684,154	(16,495)
Fiscal	296,862	236,331	60,531
Operation and Maintenance of Plant	266,166	242,980	23,186
Central	130,103	167,710	(37,607)
Total Expenses	<u>10,295,386</u>	<u>9,726,175</u>	<u>569,211</u>
Change in Net Position	<u>(147,262)</u>	<u>1,552,766</u>	<u>(1,700,028)</u>
Net Position at Beginning of Year	<u>2,597,398</u>	<u>1,044,632</u>	<u>1,552,766</u>
Net Position at End of Year	<u>\$2,450,136</u>	<u>\$2,597,398</u>	<u>(\$147,262)</u>

South Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Program revenues, which are primarily represented by charges for tuition and fees, along with operating and capital grants, contributions and interest were \$9,308,604 of total revenues for fiscal year 2014. The decrease is primarily due to the Educational Service Center receiving less grant revenue compared to prior fiscal year. Capital grants and contributions decreased significantly due to the one time donation of land and building that occurred in the prior fiscal year. This was a unique event that did not occur again in fiscal year 2014. Although overall program revenues decreased, charges for services increased significantly as the School District continues to try and make up for the loss in State basic aid. The School District continues to add new services and expand on existing services.

As stated previously, general revenues represent \$839,520 of the Educational Service Center's total revenues, and of this amount, \$819,326 consists of grants and entitlements not restricted to specific programs. Other revenue sources, such as investment earnings and miscellaneous, are not significant.

As should be expected, the major program expense for governmental activities is instruction, which accounts for \$5,128,219 of all governmental expenses of \$10,295,386. Other programs which support the instruction process, including pupils and instructional staff account for \$3,770,995 of governmental expenses. Special instruction increased \$503,814 and support services-pupils increased \$153,668 from the prior fiscal year. These increases were primarily the result of the Educational Service Center generating more tuition and fees and charges for services revenue as a result of offering new services and expanding on existing services. This increase in revenue was offset by an increase in overall expenditures.

The Educational Service Center's Funds

Information about the Educational Service Center's most significant funds starts on page 12. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,437,485 and expenditures of \$10,286,659. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of \$210,253. This was primarily due to the Educational Service Center providing additional special instruction services to local school districts. The fees charged to provide these additional services were more than the additional costs to provide them.

Capital Assets

At the end of fiscal year 2014, the Educational Service Center had \$1,355,951 invested in capital assets (net of accumulated depreciation), an increase of \$28,499. Additions to capital assets included land and miscellaneous equipment. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

South Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Current Issues

The South Central Ohio Educational Service Center relies heavily on contracts with client school districts within the three county area in which it serves. In addition, State foundation per pupil funding and State and federal grants also provide significant sources of revenue to the Educational Service Center.

A major challenge facing educational service centers statewide is the level of funding by the Ohio Department of Education. Since 1997, the Educational Service Center's State per pupil funding has never increased. In fact, the Educational Service Center's State funding has been cut in each fiscal year since 2008. The future is most uncertain with regards to this funding. It has been reduced so much now that it does not cover the most basic of services. As a result, the Educational Service Center has been forced to look elsewhere for sources of revenue just to maintain the status quo.

Each decision made by the Educational Service Center is made with its client school districts in mind. The existence of the Educational Service Center depends on providing quality services that its clients need at a cost that is fair and reasonable. Because the use of the Educational Service Center's services is not mandated, it is imperative that the Educational Service Center continue to maintain a strong relationship with each of its clients and continue to look for ways to improve and expand its services into areas that will help its clients educate the children of their school district.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional information, contact Andrew T. Riehl, Treasurer, South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

South Central Ohio Educational Service Center

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,416,904
Accounts Receivable	2,080
Accrued Interest Receivable	556
Intergovernmental Receivable	124,285
Capital Assets:	
Land	75,460
Depreciable Capital Assets, Net	<u>1,280,491</u>
<i>Total Assets</i>	<u>3,899,776</u>
<u>Liabilities:</u>	
Accounts Payable	22,508
Accrued Wages and Benefits Payable	856,684
Intergovernmental Payable	162,945
Long-Term Liabilities:	
Due Within One Year	115,980
Due in More Than One Year	<u>291,523</u>
<i>Total Liabilities</i>	<u>1,449,640</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	1,355,951
Restricted for Race to the Top Program	36,374
Restricted for Other Purposes	28,619
Unrestricted	<u>1,029,192</u>
<i>Total Net Position</i>	<u>\$2,450,136</u>

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$295,404	\$0	\$50,009	(\$245,395)
Special	4,680,034	4,428,382	48,239	(203,413)
Adult/Continuing	152,781	3,140	153,825	4,184
Support Services:				
Pupils	2,299,228	2,121,743	0	(177,485)
Instructional Staff	1,471,767	2,033,397	346,630	908,260
Board of Education	35,382	0	0	(35,382)
Administration	667,659	49,069	29,864	(588,726)
Fiscal	296,862	0	0	(296,862)
Operation and Maintenance of Plant	266,166	0	3,275	(262,891)
Central	130,103	39,231	1,800	(89,072)
<i>Total Governmental Activities</i>	<u>\$10,295,386</u>	<u>\$8,674,962</u>	<u>\$633,642</u>	<u>(986,782)</u>
 <u>General Revenues:</u>				
				Grants and Entitlements not Restricted to Specific Programs 819,326
				Investment Earnings 4,900
				Miscellaneous 15,294
				<u>Total General Revenues 839,520</u>
				Change in Net Position (147,262)
				<u>Net Position at Beginning of Year 2,597,398</u>
				<u>Net Position at End of Year \$2,450,136</u>

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center

Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,364,245	\$52,659	\$2,416,904
Receivables:			
Accounts	2,080	0	2,080
Intergovernmental	42,201	82,084	124,285
Accrued Interest	556	0	556
Interfund	17,732	0	17,732
<i>Total Assets</i>	<u><u>\$2,426,814</u></u>	<u><u>\$134,743</u></u>	<u><u>\$2,561,557</u></u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$12,727	\$9,781	\$22,508
Accrued Wages and Benefits Payable	829,003	27,681	856,684
Intergovernmental Payable	153,374	9,571	162,945
Interfund Payable	0	17,732	17,732
<i>Total Liabilities</i>	<u><u>995,104</u></u>	<u><u>64,765</u></u>	<u><u>1,059,869</u></u>
<u>Deferred Inflows of Resources :</u>			
Unavailable Revenue	556	7,150	7,706
<u>Fund Balances:</u>			
Restricted	0	76,385	76,385
Assigned	90,868	0	90,868
Unassigned (Deficit)	1,340,286	(13,557)	1,326,729
<i>Total Fund Balances</i>	<u><u>1,431,154</u></u>	<u><u>62,828</u></u>	<u><u>1,493,982</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$2,426,814</u></u>	<u><u>\$134,743</u></u>	<u><u>\$2,561,557</u></u>

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balances \$1,493,982

*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. These assets consist of:

Land	75,460	
Capital assets	2,230,130	
Accumulated depreciation	(949,639)	
Total capital assets		1,355,951

Some of the Educational Service Center's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Intergovernmental	7,150	
Accrued Interest	556	
Total		7,706

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	(407,503)	
Net Position of Governmental Activities		\$2,450,136

See accompanying notes to the basic financial statements

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$855,567	\$857,515	\$1,713,082
Investment Earnings	4,939	0	4,939
Tuition and Fees	6,951,068	18,000	6,969,068
Customer Sales and Service	1,705,894	0	1,705,894
Contributions and Donations	29,208	0	29,208
Miscellaneous	14,128	1,166	15,294
<i>Total Revenues</i>	<u>9,560,804</u>	<u>876,681</u>	<u>10,437,485</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	248,633	44,715	293,348
Special	4,378,604	277,124	4,655,728
Adult/Continuing	1,210	164,276	165,486
Support Services:			
Pupils	2,285,181	0	2,285,181
Instructional Staff	1,064,729	396,578	1,461,307
Board of Education	35,382	0	35,382
Administration	626,845	35,315	662,160
Fiscal	289,489	0	289,489
Operation and Maintenance of Plant	248,271	16,300	264,571
Central	123,207	1,800	125,007
Capital Outlay	49,000	0	49,000
<i>Total Expenditures</i>	<u>9,350,551</u>	<u>936,108</u>	<u>10,286,659</u>
<i>Net Change in Fund Balances</i>	210,253	(59,427)	150,826
<i>Fund Balances at Beginning of Year</i>	<u>1,220,901</u>	<u>122,255</u>	<u>1,343,156</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,431,154</u></u>	<u><u>\$62,828</u></u>	<u><u>\$1,493,982</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$150,826

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

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, these amounts are:

Land additions	49,000	
Capital asset additions	26,778	
Depreciation expense	<u>(47,279)</u>	
Excess of capital outlay over depreciation expense		28,499

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:

Intergovernmental	(289,322)	
Interest	<u>(39)</u>	
Total		(289,361)

Some items 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. These activities consist of:

Increase in compensated absences payable	<u>(37,226)</u>
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Change in Net Position of Governmental Activities (\$147,262)

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$103,310</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$103,310</u>

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The South Central Ohio Educational Service Center (the “Educational Service Center”), is located in Portsmouth, Ohio, the county seat of Scioto County. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Oak Hill, Bloom-Vernon, Clay, Green, Minford, New Boston, Northwest, Valley, Washington-Nile, Wheelersburg, and Manchester Local School Districts, as well as the Scioto County Career Technical Center. The Portsmouth City School District is served on a limited basis in the area of handicapped students. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has 65 classified, 103 certified, and two administrative personnel that provide services to the local, city, and joint vocational School Districts.

Reporting Entity

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

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

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The Educational Service Center participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as a related organization. Information about these organizations is presented in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

South Central Ohio Computer Association Regional Council of Governments
(SCOCARCoG)

Family and Children First Council of Scioto County

Coalition of Rural and Appalachian Schools

Public Entity Shared Risk Pool:

Optimal Health Initiatives Consortium

Related Organization:

Scioto County Career Technical Center

The Educational Service Center serves as fiscal agent for the Family and Children First Council of Scioto County. The Family and Children First Council provides services to disadvantaged school age children. This organization is presented as an agency fund within the Educational Service Center's financial statements. The Educational Service Center also serves as fiscal agent for the Southern Ohio Academy. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate students learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. This organization is not presented as part of the Educational Service Centers financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Educational Service Center as a whole. These statements include the financial activities of the Educational Service Center, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The Educational Service Center, however, has no activities which are reported as business-type.

The Statement of Net Position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds, rather than reporting 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 type.

Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Educational Service Center fall within two categories: governmental and fiduciary.

Governmental Funds

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

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The following is the Educational Service Center's major governmental fund:

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

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

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Educational Service Center are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., 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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis 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. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible 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 Educational Service Center, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the Educational Service 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: tuition and fees, customer sales, grants and accrued interest.

Deferred Outflows/Inflows of Resources:

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

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

For the Educational Service Center unavailable revenue includes interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

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

Cash and Cash Equivalents

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2014, the Educational Service Center's investments were limited to negotiable certificates of deposit. Investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Educational Service Center has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$4,939, which includes \$514 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as Cash Equivalents.

Capital Assets

The Educational Service Center's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of \$500. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land are depreciated. Depreciation of the building is computed using the straight-line method over fifty years and furniture, fixtures and equipment is computed using the straight-line method over five to 20 years.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

Accrued Liabilities and 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 that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 and are eliminated from the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 Educational Service Center’s Board. Those committed amounts cannot be used for any other purpose unless the Educational Service Center’s 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.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted 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 amounts assigned by the Treasurer for the encumbered amounts for outstanding obligations. The Treasurer has been given authority to assign amounts for the purposes by the Educational Service Center's 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 Educational Service 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.

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include State grants restricted to expenditures for specified purposes. The Educational Service Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates

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

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 3 - FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Restricted for</i>			
Alternative School	\$0	\$27,351	\$27,351
Adult Basic Literacy Education	0	7,468	7,468
Race to the Top	0	41,566	41,566
<i>Total Restricted</i>	<u>0</u>	<u>76,385</u>	<u>76,385</u>
<i>Assigned to</i>			
Purchases on Order	90,868	0	90,868
<i>Unassigned (Deficit)</i>	<u>1,340,286</u>	<u>(13,557)</u>	<u>1,326,729</u>
<i>Total Fund Balances</i>	<u><u>\$1,431,154</u></u>	<u><u>\$62,828</u></u>	<u><u>\$1,493,982</u></u>

NOTE 4 - ACCOUNTABILITY

At June 30, 2014, the Alternative School, EHA Pre-School Grant, and Ohio Teacher Evaluation System Special Revenue Funds had deficit fund balances of \$3,722, \$7,622, and \$2,213, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the Educational Service Center are classified by State statute into three categories.

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

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

Interim monies held by the Educational Service Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Investments: As of June 30, 2014, the Educational Service Center had the following investments:

	Fair Value	Investment		S&P Rating
		Maturities in Years		
		1 - 2	3 - 4	
Negotiable Certificates of Deposit	\$624,337	\$520,991	\$103,346	N/A

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the Educational Service Center's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the Educational Service Center, the Educational Service Center will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk

The Educational Service Center's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States Government sponsored enterprises.

Concentration of Credit Risk

The Educational Service Center places no limit on the amount it may invest in any one issuer. The Educational Service Center's only investments include negotiable certificates of deposits.

NOTE 6 - STATE AND LOCAL EDUCATIONAL SERVICE CENTER FUNDING

The Educational Service Center, under State law, provides supervisory services to the local Educational Service Centers within its territory. Each city and local Educational Service Center that entered into an agreement with the Educational Service 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 Educational Service Center's city and local Educational Service Centers based on each school's total student count. The Department of Education deducts each Educational Service Center's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of client Educational Service Centers agree to the services and the apportionment of the costs to all of the client Educational Service Centers.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Due to provisions in the State budget bill, the per pupil funding in the permanent section of law did not apply to fiscal years 2013 and 2014. Instead, ESC's received a percentage of the funding they received the previous year. For fiscal year 2014, ESC's received 85 percent of the funding they received in fiscal year 2013.

The Educational Service Center may contract with city, exempted village, local, joint vocational, or cooperative educational educational service centers to provide special education and related services or career-technical educational services. The individual boards of education pay the costs for these services directly to the Educational Service Center.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of accounts, intergovernmental grants, accrued interest and interfund amounts. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
Charges to Local School Districts and Other Governmental Entities	\$42,201
Race to the Top Grant	46,961
Adult Basic Literacy Education Grant	26,243
Ohio Teacher Evaluation System Grant	2,020
Ohio Alternative Education Challenge Grant	5,025
Early Childhood Special Education, IDEA Grant	1,835
Total Intergovernmental Receivable	<u>\$124,285</u>

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 8 - CAPITAL ASSETS

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

	Balance at 6/30/13	Additions	Deductions	Balance at 6/30/14
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$26,460	\$49,000	\$0	\$75,460
Capital Assets Being Depreciated:				
Buildings and Improvements	1,207,570	0	0	1,207,570
Furniture, Fixtures and Equipment	995,782	26,778	0	1,022,560
Total Capital Assets				
Being Depreciated	2,203,352	26,778	0	2,230,130
Less Accumulated Depreciation:				
Buildings and Improvements	(12,076)	(24,151)	0	(36,227)
Furniture, Fixtures and Equipment	(890,284)	(23,128)	0	(913,412)
Total Accumulated Depreciation	(902,360)	(47,279) *	0	(949,639)
Total Capital Assets Being				
Depreciated, Net	1,300,992	(20,501)	0	1,280,491
Governmental Activities				
Capital Assets, Net	\$1,327,452	\$28,499	\$0	\$1,355,951

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,445
Special	21,089
Adult/Continuing	940
Support Services:	
Pupils	8,268
Instructional Staff	5,068
Administration	1,175
Fiscal	1,444
Operation and Maintenance of Plant	390
Central	7,460
Total Depreciation Expense	\$47,279

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Educational Service Center contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium paid to SIC for fiscal year 2014 was \$2,500. The Educational Service Center also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the Educational Service Center contracted with Argonaut Insurance Company for liability, property, and automobile liability insurance coverage and paid its premium to Governmental Underwriters of America, Inc., an agent for Argonaut Insurance Company.

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

The Educational Service Center pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Educational Service Center participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 14), consisting of Educational Service Centers whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The Educational Service Center participates in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service 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 a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$219,006, \$195,700, and \$191,117, respectively. For fiscal year 2014, 92.54 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

Plan Description – The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$672,946, \$653,126, and \$599,943, respectively. For fiscal year 2014, 89.15 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$21 made by the Educational Service Center and \$17 made by the plan members. In addition, member contributions of \$20,575 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Social Security System

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

Plan Description – The Educational Service Center participates in two cost-sharing, multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the Educational Service Center paid \$27,693 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Educational Service Center's contributions for health care for the fiscal years ended June 30,

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

2014, 2013, and 2012, were \$30,034, \$23,709, and \$29,596, respectively. For fiscal year 2014, 92.54 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$12,706, \$11,055, and \$11,286, respectively. For fiscal year 2014, 92.54 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

Plan Description – The Educational Service Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to postemployment health care. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$51,765, \$50,240, and \$46,149, respectively. For fiscal year 2014, 89.15 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Support staff earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified staff upon termination of employment. Teachers do not earn vacation time.

Teachers and support staff earn sick leave at the rate of one and one-fourth days per month. Sick

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all employees.

Insurance Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company.

Deferred Compensation

Educational Service Center employees may participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Business Officials Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the Educational Service Center's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences	<u>\$370,277</u>	<u>\$102,438</u>	<u>\$65,212</u>	<u>\$407,503</u>	<u>\$115,980</u>

Compensated absences will be paid from the General Fund and the Alternative School, Adult Basic Literacy Education, and Race to the Top Special Revenue Funds.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

POOL, AND RELATED ORGANIZATION

Jointly Governed Organizations

South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)

The Educational Service Center is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCARCoG is an association of public Educational Service Centers 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 SCOCARCoG consists of two representatives from each county in the SCOCARCoG 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 SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The Educational Service Center paid SCOCARCoG \$2,000 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Family and Children First Council of Scioto County

The Family and Children First Council of Scioto County (the "Council") is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: the director of the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence, and Scioto Counties; the director of the Scioto County Health Department; the director of the City of Portsmouth Health Department; the director of the Scioto County Department of Human Services; the executive director of the Scioto County Children Services; the superintendent of the Scioto County Board of Developmental Disabilities; the Scioto County juvenile court judge; the superintendent of the city, exempted village, or local school districts with the largest number of pupils residing in the County; a school superintendent representing all other school districts in the County; a representative of the City of Portsmouth; the chair of the Scioto County commissioners; a representative of the regional office of the department of youth services; a representative of the Scioto County Head Start Program; a representative of the County's Early Intervention Collaborative established pursuant to the program; a representative of the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1988" and at least three individuals representing the interest of families in the County. The Council provides services to disadvantage school age children. The Educational Service Center made no contributions to the Council during fiscal year 2014. Continued existence of the Council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at 522 Glenwood Avenue, New Boston, Ohio 45662.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for school district administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or a financial responsibility for the Coalition. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting and designating management. Each school district’s degree of control is limited to its representation on the Board. The Educational Service Center paid \$325 to the Coalition for services provided during the fiscal year.

Public Entity Shared Risk Pool

Optimal Health Initiatives Consortium

The Educational Service Center is a member of the Optimal Health Initiatives Consortium (the “Consortium”), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium’s economies of scale to create cost-savings. The Council’s business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division’s board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

Related Organization

Scioto County Career Technical Center

The Scioto County Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a five member Board of Education. Two representatives are appointed by the Portsmouth City School District and three representatives are appointed by the South Central Ohio Educational Service Center. The Scioto County Career Technical Center exposes students to job training, leading to employment upon graduation from high school. There is no financial benefit/burden relationship between the Scioto County Career Technical Center and the South Central Ohio Educational Service Center, nor can the South Central Ohio Educational Service Center impose their will on the Scioto County Career Technical Center.

South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions totaled \$17,732 from the General Fund to Nonmajor Governmental Funds.

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

NOTE 16 - CONTINGENCIES

Grants

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2014.

Litigation

The School District is not party to any legal proceedings.

NOTE 17 – SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to the unperformed contracts for goods for services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$110,456
Nonmajor Governmental Funds	28,231
Total	<u><u>\$138,687</u></u>

South Central Ohio Educational Service Center
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budget Amounts</u>			Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Intergovernmental	\$1,042,800	\$855,567	\$855,567	\$0
Investment Earnings	6,000	8,046	8,046	0
Tuition and Fees	6,760,750	6,966,985	6,966,985	0
Customer Sales and Service	1,693,000	1,758,421	1,758,421	0
Contributions and Donations	28,500	29,208	29,208	0
<i>Total Revenues</i>	<u>9,531,050</u>	<u>9,618,227</u>	<u>9,618,227</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	219,257	239,943	239,943	0
Special	4,474,722	4,300,793	4,300,793	0
Adult/Continuing	12,130	2,052	2,052	0
Support Services:				
Pupils	2,344,700	2,278,716	2,278,716	0
Instructional Staff	1,001,546	1,066,030	1,066,030	0
Board of Education	32,601	34,864	34,864	0
Administration	673,664	628,439	628,439	0
Fiscal	244,413	293,675	293,675	0
Operation and Maintenance of Plant	243,941	271,629	271,629	0
Central	185,532	138,892	138,892	0
Capital Outlay	0	49,000	49,000	0
<i>Total Expenditures</i>	<u>9,432,506</u>	<u>9,304,033</u>	<u>9,304,033</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>98,544</u>	<u>314,194</u>	<u>314,194</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Receipts	2,100	14,128	14,128	0
Advances In	410,000	277,740	277,740	0
Advances Out	(410,000)	(300,026)	(300,026)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,100</u>	<u>(8,158)</u>	<u>(8,158)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	100,644	306,036	306,036	0
<i>Fund Balance at Beginning of Year</i>	1,773,393	1,773,393	1,773,393	0
Prior Year Encumbrances Appropriated	<u>173,024</u>	<u>173,024</u>	<u>173,024</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,047,061</u></u>	<u><u>\$2,252,453</u></u>	<u><u>\$2,252,453</u></u>	<u><u>\$0</u></u>

See accompanying budgetary notes

South Central Ohio Educational Service Center

Budgetary Notes

For the Fiscal Year Ended June 30, 2014

NOTE 1 - BUDGETARY PROCESS

The Educational Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center's Board does follow the budgetary process for control purposes.

The Educational Service 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 statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The Educational Service Center's Governing Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources. The resolution 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 statements 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 statements represent the final appropriation amounts passed by the Governing Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the Educational Service 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 accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

South Central Ohio Educational Service Center

Budgetary Notes

For the Fiscal Year Ended June 30, 2014

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received is cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid is cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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

<u>Net Change in Fund Balances</u>	
	<u>General</u>
GAAP Basis	\$210,253
Adjustments:	
Revenue Accruals	68,444
Expenditure Accruals	156,974
Increase in Fair Value of Investments - FY 2014	(1,336)
Increase in Fair Value of Investments - FY 2013	4,443
Advances	(22,286)
Encumbrances	(110,456)
Budget Basis	<u><u>\$306,036</u></u>

South Central Ohio Educational Service Center
Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2014

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Adult Education - Basic Grants to States	2013	84.002	\$32,661	\$38,848
	2014		188,668	190,392
<i>Total Adult Education - Basic Grants to Sates</i>			221,329	229,240
Special Education - Preschool Grants	2013	84.173	1,182	1,810
	2014		48,240	47,556
<i>Total Special Education - Preschool Grants</i>			49,422	49,366
Special Education - Grants for Infants and Families	2014	84.181	129,805	135,521
Even Start - State Educational Agencies	2013	84.213	325,630	329,301
Improving Teacher Quailty State Grants	2013	84.367	11,127	6,278
	2014		11,600	11,600
<i>Total Improving Teacher Quailty State Grants</i>			22,727	17,878
<i>ARRA- Race to the Top, Recovery Act</i>				
Ohio Resident Educator	2014	84.395	12,950	12,950
Regional Specialist	2013		30,575	32,329
	2014		121,749	127,529
Regional Formative Instruction Specialist	2013		20,253	21,827
	2014		103,527	107,636
<i>Total ARRA - Race to the Top, Recovery Act</i>			289,054	302,271
Total U.S. Department of Education			1,037,967	1,063,577
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through Ohio Department of Health:</i>				
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program	2014	93.505	70,866	107,037
Total U.S. Department of Health and Human Services			70,866	107,037
Total Federal Financial Assistance			\$1,108,833	\$1,170,614

South Central Ohio Educational Service Center
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the year ended June 30, 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Educational Service Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Educational Service Center has met its matching requirements. The Schedule does not include the expenditures of non-Federal matching funds.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards**

South Central Ohio Educational Service Center
522 Glenwood Avenue
New Boston, Ohio 45662

We have audited, 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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Central Ohio Educational Service Center (the Educational Service Center), Scioto County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated March 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Educational Service Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Educational Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Educational Service 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Educational Service 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 weakness 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.

South Central Ohio Educational Service Center
Independent Auditor's 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*

Compliance and Other Matters

As part of obtaining reasonable assurance whether the Educational Service Center's financial statements are free of 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental 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 Educational Service 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 Educational Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

March 16, 2015

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

South Central Ohio Educational Service Center
522 Glenwood Avenue
New Boston, Ohio 45662

Report on Compliance for Each Major Federal Program

We have audited the South Central Ohio Educational Service Center (the Educational Service Center), Scioto County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on the Educational Service Center's major federal program for the year ended June 30, 2014. The Educational Service Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

The Educational Service Center's management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Educational Service Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the applicable compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Educational Service Center complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of South Central Ohio Educational Service Center is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Educational Service Center's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Educational Service Center's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

March 16, 2015

South Central Ohio Educational Service Center
Schedule of Findings
For the Fiscal Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiencies reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under § .510?</i>	No
9.	<i>Major Programs (list):</i>	CFDA #84.213 Even Start
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11.	<i>Low Risk Auditee?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.



Dave Yost • Auditor of State

SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER

SCIOTO 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
MAY 26, 2015**