

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

LORRAINE EARNEST, TREASURER



Dave Yost • Auditor of State

Board of Governors
Mid-Ohio Educational Service Center
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

We have reviewed the *Independent Auditor's Report* of the Mid-Ohio Educational Service Center, Richland County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Mid-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

December 24, 2015

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**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	12
Statement of Activities - Cash Basis	13
Fund Financial Statements:	
Statement of Cash Basis Assets and	
Fund Cash Balances - Governmental Funds.....	14
Statement of Cash Receipts, Cash Disbursements and Changes in	
Fund Cash Balances - Governmental Funds.....	15
Statement of Cash Basis Assets and Net Cash Assets - Fiduciary Fund.....	16
Notes to the Basic Financial Statements.....	17 - 38
Other Information - Net Pension Liability:	
Schedule of the ESC’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	39
State Teachers Retirement System (STRS) of Ohio	40
Schedule of ESC Contributions:	
School Employees Retirement System (SERS) of Ohio	41
State Teachers Retirement System (STRS) of Ohio	42
Notes to Other Information - Net Pension Liability	43
Supplemental Information:	
Schedule of Cash Receipts, Cash Disbursements and Changes in Fund	
Cash Balance - Budget and Actual (Budgetary Basis) - General Fund	44
Notes to the Supplemental Information.....	45
Schedule of Receipts and Expenditures of Federal Awards	46
Independent Auditor’s Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47 - 48
Independent Auditor’s Report on Compliance With Requirements Applicable to The Major	
Federal Program and on Internal Control Over Compliance Required by	
<i>OMB Circular A-133</i>	49 - 50
Schedule of Findings and Responses <i>OMB Circular A-133</i> § .505	51 - 52
Status of Prior Audit Findings <i>OMB Circular A-133</i> § .505	53



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Mid-Ohio Educational Service Center
Richland County
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mid-Ohio 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 preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of June 30, 2015, and the respective changes in cash financial position thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the Mid-Ohio Educational Service Center's financial statements that collectively comprise its basic financial statements.

The budgetary comparison schedule for the General fund on pages 44 and 45 (the "Budgetary Schedule") provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Receipts and Expenditures of Federal Awards on page 46 (the "Federal Schedule") also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statement.

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

We applied no procedures to the Management's Discussion & Analysis presented on pages 3 - 11, and the other information - Net Pension Liability on pages 39 - 43, and accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of the Mid-Ohio 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mid-Ohio Educational Service Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 12, 2015

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of the Mid-Ohio Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2015, within the limitations of the ESC's cash basis of accounting. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the ESC's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net cash position of governmental activities increased \$843,014 which represents an 11.32% increase from 2014.
- General cash receipts accounted for \$3,403,425 or 26.92% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$9,237,949 or 73.08% of total governmental activities cash receipts of \$12,641,374.
- The ESC had \$11,798,360 in cash disbursements related to governmental activities; \$9,237,949 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily unrestricted grants and entitlements) of \$3,403,425 were adequate to provide for these programs.
- The ESC's major governmental fund is the general fund. The general fund had \$11,362,008 in cash receipts and \$10,344,044 in cash disbursements. During fiscal year 2015, the general fund's fund cash balance increased \$1,017,964 from \$7,465,816 to \$8,483,780.

Using these Cash Basis Basic Financial Statements

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole ESC, presenting both an aggregate view of the ESC's cash basis 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 ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the ESC as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position - cash basis and statement of activities - cash basis answer this question. These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis, the governmental activities include the ESC's programs and services, including instruction and support services.

The ESC's statement of net positions - cash basis and statement of activities - cash basis can be found on pages 12-13 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental fund begins on page 9. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant fund. The ESC's only major governmental fund is the general fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the ESC is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities - cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities - cash basis. The governmental fund statements can be found on pages 14-15 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate statement of cash basis assets and net cash assets - fiduciary fund assets on page 16. This cash is excluded from the ESC's other financial statements because the cash cannot be utilized by the ESC to finance its operations.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Notes to the Cash Basis Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the cash basis basic financial statements can be found on pages 17-38 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the ESC's net pension liability. The required supplementary information can be found on pages 39 through 43 of this report.

The ESC as a Whole

Recall that the statement of net position - cash basis provides the perspective of the ESC as a whole.

The table below provides a summary of the ESC's net cash position for 2015 and 2014.

	Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Assets</u>		
Equity in pooled cash, cash equivalents and investments	\$ 8,287,835	\$ 7,444,821
<u>Net Cash Position</u>		
Restricted	\$ 37,744	\$ 99,408
Unrestricted	<u>8,250,091</u>	<u>7,345,413</u>
Total net cash position	<u>\$ 8,287,835</u>	<u>\$ 7,444,821</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2015, the ESC's total net cash position was \$8,287,835.

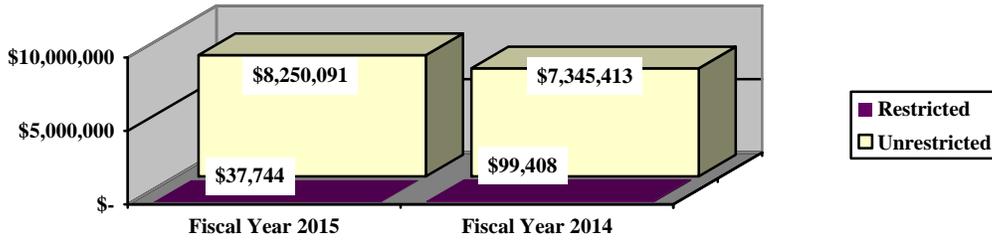
A portion of the ESC's net cash position, \$37,744, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash position of \$8,250,091 may be used to meet the ESC's ongoing obligations to students and creditors.

The graph below presents the ESC's governmental activities restricted and unrestricted net cash position for fiscal years 2015 and 2014.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Governmental Activities - Restricted and Unrestricted Net Cash Position



The table below shows the change in net cash position for fiscal years 2015 and 2014.

Change in Net Cash Position

	Governmental Activities 2015	Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
<u>Cash Receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 7,666,762	\$ 9,769,641
Operating grants and contributions	1,571,187	2,089,581
General cash receipts:		
Grants and entitlements	3,378,973	1,958,136
Investment earnings	24,452	15,380
Total cash receipts	<u>12,641,374</u>	<u>13,832,738</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Change in Net Cash Position (Continued)

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
<u>Cash Disbursements</u>		
Program expenses:		
Instruction:		
Regular	\$ 309,780	\$ 511,200
Special	2,496,347	3,779,333
Support services:		
Pupil	3,804,344	3,884,792
Instructional staff	1,531,573	1,990,001
Board of education	68,875	72,238
Administration	1,267,649	1,473,378
Fiscal	601,720	649,099
Business	224,875	151,473
Operations and maintenance	638,230	390,830
Central	428,297	466,587
Other non-instructional services	402,665	334,097
Debt service:		
Principal retirement	23,618	34,109
Interest and fiscal charges	387	1,899
Total cash disbursements	<u>11,798,360</u>	<u>13,739,036</u>
Change in net cash assets	<u>843,014</u>	<u>93,702</u>
Net cash assets at beginning of year	<u>7,444,821</u>	<u>7,351,119</u>
Net cash assets at end of year	<u>\$ 8,287,835</u>	<u>\$ 7,444,821</u>

Governmental Activities

Net cash position of the ESC's governmental activities increased \$843,014. Total governmental cash disbursements of \$11,798,360 were offset by program cash receipts of \$9,237,949 and general cash receipts of \$3,403,425. Program cash receipts supported 78.30% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from charges for services and sales. These cash receipts sources represent 60.65% of total governmental cash receipts. During fiscal year 2015 the ESC's grants and entitlements receipts increased due increased other unrestricted grants-in-aid received.

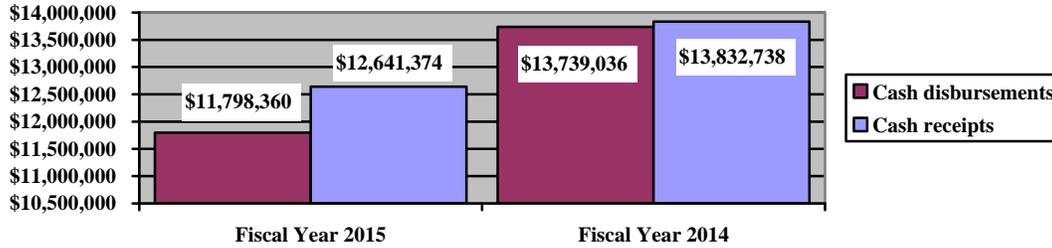
The largest cash disbursement of the ESC is for support services. Support services cash disbursements totaled \$8,565,563 or 72.60% of total governmental cash disbursements for fiscal year 2015.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The graph below presents the ESC's governmental activities cash receipts and cash disbursements for fiscal years 2015 and 2014.

Governmental Activities - Cash Receipts and Disbursements



The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program cash disbursements				
Instruction:				
Regular	\$ 309,780	\$ 257,081	\$ 511,200	\$ 281,134
Special	2,496,347	138,448	3,779,333	172,961
Support services:				
Pupil	3,804,344	563,824	3,884,792	327,723
Instructional staff	1,531,573	112,782	1,990,001	(66,083)
Board of education	68,875	(227,172)	72,238	(220,471)
Administration	1,267,649	203,441	1,473,378	104,207
Fiscal	601,720	537,582	649,099	562,647
Business	224,875	224,875	151,473	151,473
Operations and maintenance	638,230	307,818	390,830	56,945
Central	428,297	424,814	466,587	461,048
Other non-instructional services	402,665	(7,087)	334,097	12,222
Debt service:				
Principal retirement	23,618	23,618	34,109	34,109
Interest and fiscal charges	387	387	1,899	1,899
Total cash disbursements	<u>\$ 11,798,360</u>	<u>\$ 2,560,411</u>	<u>\$ 13,739,036</u>	<u>\$ 1,879,814</u>

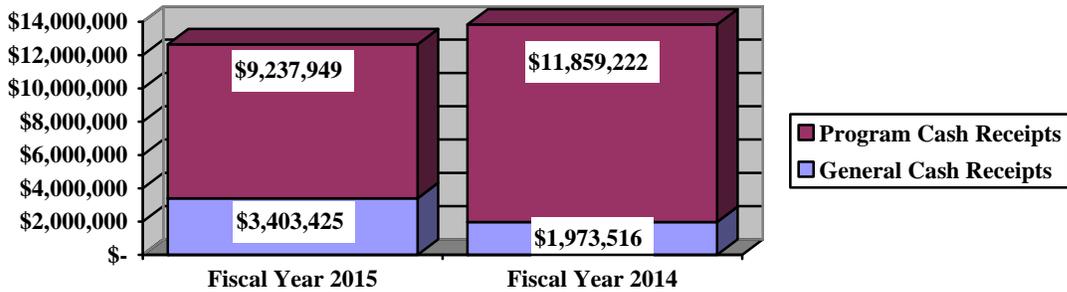
**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The ESC primarily depends upon charges for services provided by member districts; however, dependence upon other general cash receipts for governmental activities is apparent as 25.08% of support services activities are supported through grants and entitlements (including State foundation) and other general cash receipts. For all governmental activities, general cash receipt support is 21.70%.

The graph below presents the ESC's governmental activities cash receipts for fiscal years 2015 and 2014.

Governmental Activities - General and Program Cash Receipts



The ESC's Funds

The ESC's governmental funds reported a combined fund cash balance of \$8,287,835, which is more than last year's total of \$7,444,821. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and 2014.

	Fund Cash Balance (Deficit) <u>June 30, 2015</u>	Fund Cash Balance (Deficit) <u>June 30, 2014</u>	Increase (decrease) <u></u>	Percentage Change <u></u>
General	\$ 8,483,780	\$ 7,465,816	\$ 1,017,964	13.63 %
Other Governmental	<u>(195,945)</u>	<u>(20,995)</u>	<u>(174,950)</u>	(833.29) %
Total	<u>\$ 8,287,835</u>	<u>\$ 7,444,821</u>	<u>\$ 843,014</u>	11.32 %

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

General Fund

The ESC's general fund cash balance increased \$1,017,964. The table that follows assists in illustrating the cash financial activities of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts</u>				
Tuition	\$ 4,038,112	\$ 4,426,902	\$ (388,790)	(8.78) %
Contract services	3,193,460	4,870,424	(1,676,964)	(34.43) %
Earnings on investments	24,452	15,380	9,072	58.99 %
Intergovernmental	3,670,794	2,249,957	1,420,837	63.15 %
Rental income	330,412	333,885	(3,473)	(1.04) %
Other	<u>104,778</u>	<u>138,430</u>	<u>(33,652)</u>	(24.31) %
Total	<u>\$ 11,362,008</u>	<u>\$ 12,034,978</u>	<u>\$ (672,970)</u>	(5.59) %
<u>Cash Disbursements</u>				
Instruction	\$ 2,724,290	\$ 4,007,081	\$ (1,282,791)	(32.01) %
Support services	7,595,139	8,010,110	(414,971)	(5.18) %
Other non-instructional services	535	-	535	100.00 %
Debt service	<u>24,005</u>	<u>36,008</u>	<u>(12,003)</u>	(33.33) %
Total	<u>\$ 10,343,969</u>	<u>\$ 12,053,199</u>	<u>\$ (1,709,230)</u>	(14.18) %

Earnings on investments increased \$9,072 or 58.99% due to an increase in interest rates. Intergovernmental receipts increased \$1,420,837 or 63.15% due mainly to increases in other unrestricted grants-in-aid received by the ESC. Contract services receipts decreased \$1,676,964 or 34.43% due to changes in ESC funding as a result of House Bill 59. Other revenues decreased \$33,652 or 24.31% due mainly to a refund received from the Bureau of Workers Compensation in fiscal year 2014 that was not received in fiscal year 2015. Instructional cash disbursements decreased \$1,282,791 or 32.01% this is due mainly to less services provided to local, city and exempted village school districts during fiscal year 2015.

Capital Assets and Debt Administration

Capital Assets

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

Debt Administration

The ESC is not permitted to issue debt. See Note 5 to the cash basis financial statements for additional information on the ESC's capital leases.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Current Financial Related Activities

The Mid-Ohio Educational Service Center operates on sound financial ground relying on contracts with area agencies and local, city and exempted village school districts in the counties of Richland, Morrow, and Crawford, as well as State foundation revenue and grants. The future financial stability of the ESC is not without concern in light of the State's decreased funding to Educational Service Centers. Like so many other organizations supported by State tax revenue, the ESC has also been forced to make difficult budget decisions.

The primary focus of the ESC continues to be on meeting the needs of our client districts with the ultimate goal of providing the necessary resources to meet student needs. The ESC prides itself on providing quality service while at the same time being sensitive to the financial hardships facing its client districts. A sound system of budgeting and internal controls enables the ESC to operate efficiently and to meet the financial challenges of the future.

Contacting the ESC's Financial Management

The financial report is designed to provide citizens, investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money received. Questions about the report may be directed to: Mrs. Lorraine Earnest, Treasurer, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

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**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 8,287,835
 Total assets.	 <u>\$ 8,287,835</u>
 Net cash position:	
Locally funded programs	\$ 664
State funded programs.	24,590
Federally funded programs	9,466
Other purposes	3,024
Unrestricted	8,250,091
Total net cash position	<u>\$ 8,287,835</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Cash Disbursements) Cash Receipts and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$ 309,780	\$ -	\$ 52,699	\$ (257,081)
Special	2,496,347	2,329,261	28,638	(138,448)
Support services:				
Pupil.	3,804,344	2,929,452	311,068	(563,824)
Instructional staff	1,531,573	1,016,183	402,608	(112,782)
Board of education	68,875	4,226	291,821	227,172
Administration.	1,267,649	1,057,228	6,980	(203,441)
Fiscal.	601,720	-	64,138	(537,582)
Business.	224,875	-	-	(224,875)
Operations and maintenance	638,230	330,412	-	(307,818)
Central	428,297	-	3,483	(424,814)
Other non-instructional services	402,665	-	409,752	7,087
Debt service:				
Principal retirement	23,618	-	-	(23,618)
Interest and fiscal charges.	387	-	-	(387)
Total governmental activities	<u>\$ 11,798,360</u>	<u>\$ 7,666,762</u>	<u>\$ 1,571,187</u>	<u>(2,560,411)</u>
General Cash Receipts:				
Grants and entitlements not restricted				
to specific programs				3,378,973
Investment earnings				24,452
Total general cash receipts				<u>3,403,425</u>
Change in net cash position.				843,014
Net cash position at beginning of year				<u>7,444,821</u>
Net cash position at end of year.				<u>\$ 8,287,835</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash assets:			
Equity in pooled cash and investments (deficit)	\$ 8,483,780	\$ (195,945)	\$ 8,287,835
Total cash basis assets	\$ 8,483,780	\$ (195,945)	\$ 8,287,835
Fund cash balances:			
Restricted:			
Adult education	\$ -	\$ 9,466	\$ 9,466
Other purposes.	-	28,278	28,278
Committed:			
Capital improvements	151,592	-	151,592
Technology maintenance.	26,748	-	26,748
Other purposes	-	1,625	1,625
Assigned:			
Services provided to districts.	115,386	-	115,386
Preschool programs	204,746	-	204,746
After school programs.	4,904,345	-	4,904,345
Special education programs	161,104	-	161,104
Professional development programs	30,938	-	30,938
Other purposes.	27,798	-	27,798
Unassigned (deficit)	2,861,123	(235,314)	2,625,809
Total fund cash balances (deficit).	\$ 8,483,780	\$ (195,945)	\$ 8,287,835

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Tuition	\$ 4,038,112	\$ -	\$ 4,038,112
Contract services	3,193,460	-	3,193,460
Earnings on investments	24,452	-	24,452
Extracurricular	29,177	-	29,177
Contributions and donations	4,226	-	4,226
Rental income	330,412	-	330,412
Other local revenues	71,375	-	71,375
Intergovernmental - state	3,395,680	129,561	3,525,241
Intergovernmental - federal	275,114	1,149,805	1,424,919
Total cash receipts	<u>11,362,008</u>	<u>1,279,366</u>	<u>12,641,374</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	256,581	53,199	309,780
Special	2,467,709	28,638	2,496,347
Support services:			
Pupil	3,494,302	310,042	3,804,344
Instructional staff	950,973	580,600	1,531,573
Board of education	68,875	-	68,875
Administration	1,260,268	7,381	1,267,649
Fiscal	533,505	68,215	601,720
Business	224,875	-	224,875
Operations and maintenance	638,230	-	638,230
Central	424,111	4,186	428,297
Other non-instructional services	535	402,130	402,665
Debt service:			
Principal retirement	23,618	-	23,618
Interest and fiscal charges	387	-	387
Total cash disbursements	<u>10,343,969</u>	<u>1,454,391</u>	<u>11,798,360</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,018,039</u>	<u>(175,025)</u>	<u>843,014</u>
Other financing sources (uses):			
Transfers in	-	75	75
Transfers (out)	<u>(75)</u>	<u>-</u>	<u>(75)</u>
Total other financing sources (uses)	<u>(75)</u>	<u>75</u>	<u>-</u>
Net change in cash fund balances	1,017,964	(174,950)	843,014
Fund cash balances (deficit) at beginning of year	<u>7,465,816</u>	<u>(20,995)</u>	<u>7,444,821</u>
Fund cash balances (deficit) at end of year.	<u>\$ 8,483,780</u>	<u>\$ (195,945)</u>	<u>\$ 8,287,835</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
JUNE 30, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 42,674
Total assets.	<u>\$ 42,674</u>
Net cash assets:	
Restricted for distribution to others	\$ 42,674
Total net cash assets	<u>\$ 42,674</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Mid-Ohio Educational Service Center (the "ESC") is a political subdivision of the State of Ohio. The ESC was formed from the consolidation of the former Crawford County, Morrow County, and Richland County Educational Service Centers on July 1, 1996. Educational Service Centers were formed as a result of Senate Bill 9 as amended by Am. Sub. H.B. 117.

The ESC maintains its central office in Richland County. The Governing Board consists of seven members elected by the voters of each county. This Governing Board acts as the authorizing body for disbursements, policy and procedures, and approves all financial activities. The ESC is staffed by 34 non-certified employees, 76 certified employees, and 9 administrators to provide services to approximately 26,500 students throughout Crawford, Morrow, and Richland Counties. The ESC is also a sponsor for GOAL Digital Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The ESC is fiscal agent for the Business Advisory Council of Richland County (the "Council"). The ESC is responsible for receiving and disbursing funds at the direction of the Council. This entity is legally separate from the ESC. The ESC is fiscal agent and custodian for the Council, but is not accountable; therefore, the operations of the Council have been included as an agency fund in the ESC's cash basis basic financial statements. The funds invested on behalf of the Council have been included in the cash basis basic financial statements as "equity in pooled cash and cash equivalents".

The following organizations are discussed due to their relationship to the ESC:

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the ESC does not have any equity interest in the COG. Financial information can be obtained from Linda Schumacher, Treasurer of the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Business Advisory Councils of Crawford, Morrow, and Richland Counties

The ESC appoints Business Advisory Councils (the "Councils") in accordance with Ohio Revised Code, Section 3313.174. The purpose of the Councils is to provide insight, generate suggestions, and promote a positive relationship between the ESC and the communities it serves. The theme of the relationship is to provide an appropriate and adequate curriculum, within the ESC's financial means, in order that conscientious students may enter the work force with the knowledge, skills and attitudes that are at a level which makes initial employment feasible and additional training both productive and economical.

The Councils are composed of an optional number of members as determined by the ESC Superintendent. The membership may be selected from the fields of commercial, industrial, service, agricultural and governmental agencies. Consideration may also be given to one citizen representative from each of the local districts. Each local superintendent may also serve as an "ex officio" member. The ESC Superintendent, or his designee, serves as the chairman of the council.

The Superintendent of the ESC is required to develop administrative guidelines which will ensure that the time and efforts of the Councils and those of the professional staff are utilized properly to accomplish these educational outcomes and to provide for a continued, strong working relationship between the school community, the Councils, and the larger community of employers.

The ESC is fiscal agent for the Councils, but has no ongoing financial interest or financial responsibility to the Councils.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Pioneer Career and Technology Center

The Pioneer Career and Technology Center (the “Center”), is a distinct political subdivision of the State of Ohio, operated under the direction of an eleven member Board of Education, which consists of one representative from each of the participating school district’s elected board. The Center possesses its own budgeting and taxing authority. Financial information is available from Linda Schumacher, Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, Ohio 44875. The ESC has no ongoing financial interest or financial responsibility to the Center.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the “Center”) is a political subdivision of the State of Ohio. The Center is operated under the direction of a thirteen member Board of Education, which consists of one representative from each of the participating school districts’ elected boards. The Center possesses its own budgeting and taxing authority. Financial information is available from Steve Earnest, Treasurer of the Tri-Rivers Career Center, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302. The ESC has no ongoing financial interest or financial responsibility to the Center.

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. See Note 7.B. for further information.

Ohio School Boards Association Workers’ Compensation Group Rating Plan

The ESC participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (the “Plan”), an insurance purchasing pool. The Plan was established under Section 4123.29 of the Ohio Revised Code. The Plan’s business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 7.C. for further information pertaining to this insurance purchasing pool.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the ESC chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The ESC does not have proprietary funds.

GOVERNMENTAL FUNDS

The ESC classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the ESC's major governmental fund:

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

Other governmental funds of the ESC are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for various resources held for other organizations and individuals, including the Business Advisory Council of Richland County and Succeed & Prosper through Education-Ashland, Richland, and Crawford Counties ("SPARC").

D. Basis of Presentation

Government-wide Financial Statements - The statement of net cash position - cash basis and the statement of activities - cash basis display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each function or program of the ESC's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the ESC. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the ESC.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

E. Budgets

Educational service centers do not have the authority to adopt annual legally-adopted appropriation budgets. However, the ESC has chosen to adopt an appropriation resolution for internal control purposes. Therefore, even though a statement or schedule of budgetary results is not required to be presented, the ESC has chosen to present a budgetary schedule as supplemental information.

F. Cash and Investments

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

During fiscal year 2015, investments were limited to State Treasury Asset Reserve of Ohio ("STAR Ohio"), nonnegotiable certificates of deposit, negotiable certificates of deposit, U.S. Government money market accounts and federal agency securities. Investments are reported at cost.

The ESC invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$24,452, which includes no interest assigned from other funds.

For presentation on the cash basis basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Capital Assets

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

Capital lease obligations are not recognized as a liability in the financial statements under the cash basis of accounting.

J. Fund Cash Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

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

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 ESC Board of Governors (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the ESC Board of Governors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Other purposes consist of balances of the Timken Foundation Grant Fund.

The ESC applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. As of June 30, 2015, there was no net cash position restricted by enabling legislation.

L. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the cash basis basic financial statements.

Interfund activity between governmental funds is eliminated in the statement of activities.

M. Pensions

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

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

B. Change in Accounting Principles

For fiscal year 2015, the ESC has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the ESC's pension plan disclosures, as presented in Note 8 to the financial statements, and added other information which is presented on pages 39-43.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the ESC.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the ESC.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Cash Balances

Fund cash balances at June 30, 2015 included the following individual fund cash deficits:

<u>Nonmajor Special Revenue funds</u>	<u>Deficit</u>
Race to the top	\$ 131,128
Improving teacher quality	2,075
Miscellaneous federal grants	102,111

The general fund is liable for any cash deficits in these funds and provides transfers when cash is required. The deficit fund cash balances resulted from outstanding project cash requests for individual grants at year end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above, and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
6. The State Treasurer's investment pool, STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all ESC deposits was \$6,621,813. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$3,656,546 of the ESC's bank balance of \$6,686,906 was exposed to custodial risk as discussed below, while \$3,030,360 was covered by the FDIC.

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2015, the ESC had the following investments and maturities:

Investment type	Carrying Value	Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FNMA	\$ 400,000	\$ 398,212	\$ -	\$ -	\$ -	\$ -	\$ 398,212
FHLB	500,000	500,270	-	-	200,146	-	300,124
FFCB	400,000	400,123	-	-	-	-	400,123
Negotiable CD's	200,000	198,808	-	-	-	-	198,808
U.S. Government							
Money Market	102,339	102,339	102,339	-	-	-	-
STAR Ohio	106,357	106,357	106,357	-	-	-	-
Total	<u>\$ 1,708,696</u>	<u>\$ 1,706,109</u>	<u>\$ 208,696</u>	<u>\$ -</u>	<u>\$ 200,146</u>	<u>\$ -</u>	<u>\$ 1,297,267</u>

The weighted average maturity of investments is 2.25 years.

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the ESC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The ESC's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit and U.S. government money market account were not rated. The ESC has no investment policy dealing with investments credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the ESC's name. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The following table includes the percentage of each investment type held by the ESC at June 30, 2015:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of total</u>
FNMA	\$ 400,000	11.71
FHLB	500,000	23.41
FFCB	400,000	29.26
Negotiable CD's	200,000	23.41
U.S. Government money market	102,339	5.99
STAR Ohio	<u>106,357</u>	<u>6.22</u>
Total	<u>\$ 1,708,696</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,621,813
Investments	<u>1,708,696</u>
Total	<u>\$ 8,330,509</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,287,835
Agency funds	<u>42,674</u>
Total	<u>\$ 8,330,509</u>

NOTE 5 - CAPITAL LEASES - LESSEE DISCLOSURE

In fiscal year 2011, the ESC entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service disbursements in the statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These disbursements are reflected as program/function disbursements on a budgetary basis. Principal payments in the 2015 fiscal year totaled \$23,618. This amount is reflected as debt service principal retirement in the general fund.

The ESC does not have capitalized lease obligations after fiscal year 2015.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

Nonmajor governmental funds	<u>\$ 75</u>
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or (1) budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities - cash basis. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 7 - RISK MANAGEMENT

A. Comprehensive Insurance

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ESC maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. During fiscal year 2015, the ESC contracted with Trident Insurance Services.

Coverages are as follows:

Building contents - replacement cost (\$1,000 deductible)	\$17,046,000
General liability per occurrence/excess	1,000,000

Settled claims have not exceeded these overages in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Health Benefits

For fiscal year 2015, the ESC has contracted with the Stark County Schools Council of Governments (a shared risk pool) (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The ESC pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating entities. The ESC's Governing Board pays a percentage of the premiums. For fiscal year 2015, the monthly premium for medical/prescription was \$1,570.04 for family coverage and \$646.37 for single coverage, the Board pays 85% and 90% respectively; dental was \$202.45 for family coverage and \$82.12 for single coverage, the Board pays 85% and 90% respectively; vision was \$43.00 for family coverage and \$17.23 for single coverage, with nothing paid by the Board; and life insurance was \$3.75 for family or single coverage and the Board pays 100%.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 7 - RISK MANAGEMENT - (Continued)

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 9.

C. Workers' Compensation

For fiscal year 2015, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all entities in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the Plan.

NOTE 8 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The ESC non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 8 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The ESC's contractually required contribution to SERS was \$227,560 for fiscal year 2015.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - ESC licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The ESC was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The ESC's contractually required contribution to STRS Ohio was \$699,610 for fiscal year 2015.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$4,114,395	\$13,594,535	\$17,708,930
Proportion of the net pension liability	0.08129700%	0.05589063%	

Actuarial Assumptions - SERS

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

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

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

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

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

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

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ESC's proportionate share of the net pension liability	\$5,870,019	\$4,114,395	\$2,637,763

Actuarial Assumptions - STRS Ohio

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

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

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

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

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

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ESC's proportionate share of the net pension liability	\$19,462,060	\$13,594,535	\$8,632,584

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, 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 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

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

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$50,634, \$41,611 and \$38,711, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$9,467, \$12,596 and \$12,868, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$54,365 and \$55,420, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

NOTE 10 - CONTINGENCIES

A. Grants

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

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

OTHER INFORMATION - NET PENSION LIABILITY

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**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

SCHEDULES OF OTHER INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS*

	<u>2014</u>	<u>2013</u>
ESC's proportion of the net pension liability	0.08129700%	0.08129700%
ESC's proportionate share of the net pension liability	\$ 4,114,395	\$ 4,834,472
ESC's covered-employee payroll	\$ 2,362,338	\$ 1,645,961
ESC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	293.72%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

SCHEDULES OF OTHER INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS*

	<u>2014</u>	<u>2013</u>
ESC's proportion of the net pension liability	0.05589063%	0.05589063%
ESC's proportionate share of the net pension liability	\$ 13,594,535	\$ 16,193,722
ESC's covered-employee payroll	\$ 5,710,477	\$ 5,542,008
ESC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	292.20%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

SCHEDULES OF OTHER INFORMATION

SCHEDULE OF ESC CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 227,567	\$ 327,420	\$ 227,801
Contributions in relation to the contractually required contribution	<u>(227,567)</u>	<u>(327,420)</u>	<u>(227,801)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ESC's covered-employee payroll	\$ 1,726,608	\$ 2,362,338	\$ 1,645,961
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%

Note: Information prior to fiscal year 2014 was unavailable.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

SCHEDULES OF OTHER INFORMATION

SCHEDULE OF ESC CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 699,610	\$ 742,362	\$ 720,461
Contributions in relation to the contractually required contribution	<u>(699,610)</u>	<u>(742,362)</u>	<u>(720,461)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ESC's covered-employee payroll	\$ 4,997,214	\$ 5,710,477	\$ 5,542,008
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%

Note: Information prior to fiscal year 2014 was unavailable.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO OTHER INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule. At this point only one year is being reported, but comments on additional years will be added as they occur.

Changes in benefit terms : None.

Changes in assumptions : None.

Method and assumptions used in calculation of actuarial determined contributions : The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 - 22.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investments expense, including inflation

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : None.

Changes in assumptions : None.

Method and assumptions used in calculation of actuarial determined contributions : The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29.5 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments	2 percent Simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, the 2 percent COLA is paid on the fifth anniversary of the retirement date.

SUPPLEMENTAL INFORMATION

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Cash receipts:				
From local sources:				
Tuition	\$ 4,066,345	\$ 3,908,979	\$ 4,038,112	\$ 129,133
Contract services	2,999,422	3,084,903	3,123,182	38,279
Earnings on investments	9,055	20,886	24,452	3,566
Extracurricular	94,388	97,596	96,210	(1,386)
Contributions and donations	-	4	250	246
Rental income	317,000	317,000	330,412	13,412
Other local revenues	42,354	44,735	71,375	26,640
Intergovernmental - state	3,221,512	3,463,948	3,395,680	(68,268)
Intergovernmental - federal	250,891	273,063	275,114	2,051
Total cash receipts	11,000,967	11,211,114	11,354,787	143,673
Cash disbursements:				
Current:				
Instruction:				
Regular	243,537	252,084	256,869	(4,785)
Special	2,672,721	2,737,638	2,489,097	248,541
Support services:				
Pupil	3,404,209	3,424,940	3,494,302	(69,362)
Instructional staff	930,774	945,160	950,973	(5,813)
Board of education	77,456	77,415	68,875	8,540
Administration	1,318,216	1,325,742	1,260,268	65,474
Fiscal	503,733	503,414	533,505	(30,091)
Business	236,816	241,674	238,495	3,179
Operations and maintenance	699,711	700,251	644,498	55,753
Central	436,681	448,116	424,111	24,005
Total cash disbursements	10,523,854	10,656,434	10,360,993	295,441
Excess of cash receipts over cash disbursements	477,113	554,680	993,794	439,114
Other financing sources (uses):				
Refund of prior year's expenditures	3,500	3,500	23,472	19,972
Refund of prior year's receipts	(1,650)	(1,650)	(1,687)	(37)
Transfers in	245,000	45,030	195,030	150,000
Transfers (out)	-	(195,105)	(195,105)	-
Sale of capital assets	-	-	250	250
Total other financing sources (uses)	246,850	(148,225)	21,960	170,185
Net change in fund cash balance	723,963	406,455	1,015,754	609,299
Fund cash balance at beginning of year	7,436,744	7,436,744	7,436,744	-
Prior year encumbrances appropriated	3,484	3,484	3,484	-
Fund cash balance at end of year	\$ 8,164,191	\$ 7,846,683	\$ 8,455,982	\$ 609,299

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTAL INFORMATION

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICY

The ESC has chosen to prepare its financial statements and notes on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

The ESC also prepares its budget on the cash basis of accounting. The differences between the schedule of cash receipts, cash disbursements and changes in fund balances - budget and actual (budgetary basis) (the "schedule") and the statement of cash receipts, cash disbursements and changes in fund balances (the "statement") are the reclassification of various receipts and disbursements made on the statement and not made on the schedule. In addition, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the statement of cash receipts, cash disbursements and charges in fund cash balances. This includes a portion of the special rotary fund.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis schedule.

Net Change in Fund Cash Balance	
	<u>General Fund</u>
Budget basis	\$ 1,015,754
Funds budgeted elsewhere	<u>2,210</u>
Budget basis	<u>\$ 1,017,964</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) , (E) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(C) (D) School Breakfast Program	10.553	2014	\$ 25,259	\$ 25,259
(C) (D) School Breakfast Program	10.553	2015	77,953	77,953
Total School Breakfast Program			<u>103,212</u>	<u>103,212</u>
(C) (D) National School Lunch Program	10.555	2014	42,119	42,119
(C) (D) National School Lunch Program	10.555	2015	129,301	129,301
Total National School Lunch Program			<u>171,420</u>	<u>171,420</u>
Total Child Nutrition Cluster			<u>274,632</u>	<u>274,632</u>
(D) Child and Adult Care Food Program	10.558	2014	73	73
(D) Child and Adult Care Food Program	10.558	2015	409	409
Total Child and Adult Care Food Program			<u>482</u>	<u>482</u>
Total U.S. Department of Agriculture			<u>275,114</u>	<u>275,114</u>
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES AREA 10 WORKFORCE INVESTMENT BOARD				
WIA Youth Activities:	17.259	2014	75,385	-
WIA Youth Activities:	17.259	2015	248,360	330,239
Total U.S. Department of Labor and WIA Youth Activities			<u>323,745</u>	<u>330,239</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Special Education_Preschool Grants	84.173	2015	8,638	8,638
Total Special Education_Preschool Grants			<u>8,638</u>	<u>8,638</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Regional Specialist	84.395	2014	7,779	23,315
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Regional Specialist	84.395	2015	151,710	262,133
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Formative Instruction	84.395	2014	16,030	16,810
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Formative Instruction	84.395	2015	110,070	112,764
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Student Growth Measures	84.395	2014	6,724	10,543
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Student Growth Measures	84.395	2015	98,132	121,223
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - TeachOhio	84.395	2014	-	32,336
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			<u>390,445</u>	<u>579,124</u>
Improving Teacher Quality State Grants - Student Growth Measures	84.367	2014	880	-
Improving Teacher Quality State Grants - Student Growth Measures	84.367	2015	15,616	15,616
Improving Teacher Quality State Grants - Ohio Teacher Evaluation System State Trainer Project	84.367	2014	9,393	-
Improving Teacher Quality State Grants - Ohio Teacher Evaluation System State Trainer Project	84.367	2015	1,087	6,481
Total Improving Teach Quality State Grants			<u>26,976</u>	<u>22,097</u>
Total U.S. Department of Education			<u>426,059</u>	<u>609,859</u>
U.S. DEPARTMENT OF HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF JOB AND FAMILY SERVICES AREA 10 WORKFORCE INVESTMENT BOARD				
Temporary Assistance for Needy Families	93.558	2014	400,000	364,339
Temporary Assistance for Needy Families	93.558	2015	-	20,232
Total U.S. Department of Human Services and Temporary Assistance for Needy Families			<u>400,000</u>	<u>384,571</u>
Total Federal Financial Assistance			<u>\$ 1,424,918</u>	<u>\$ 1,599,783</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Included as part of "Child Nutrition Cluster" in determining major programs.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Certain federal programs require that the Educational Service Center contribute non-federal funds (matching funds) to support the federally funded programs. The Educational Service Center has complied with the matching requirements. The expenditure of non-federal matching funds are not included on the schedule.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Mid-Ohio Educational Service Center
Richland County
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

To the Board of Governors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mid-Ohio Educational Service Center's basic financial statements and have issued our report thereon dated October 12, 2015, wherein we noted the Mid-Ohio Educational Service Center uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Board of Governors
Mid-Ohio Educational Service Center

Compliance and Other Matters

As part of reasonably assuring whether the Mid-Ohio Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2015-001.

Mid-Ohio Educational Service Center's Response to Findings

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

Purpose of this Report

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



Julian & Grube, Inc.
October 12, 2015



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133

Mid-Ohio Educational Service Center
Richland County
890 W. Fourth Street, Suite 100
Mansfield, Ohio 44906

To the Board of Governors:

Report on Compliance for The Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of Governors
Mid-Ohio Educational Service Center

Opinion on the Major Federal Program

In our opinion, the Mid-Ohio Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

The Mid-Ohio Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Mid-Ohio Educational Service Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Mid-Ohio 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Julian & Grube, Inc.
October 12, 2015

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act, CFDA #84.395
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the Mid-Ohio Educational Service Center (the "ESC") to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The ESC prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP).

There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the ESC being fined or other administrative remedies.

The ESC should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The decision to prepare cash basis financial statements is a decision the Mid-Ohio Educational Service Center Board of Governors believes to be in the best interests of the organization and its client entities. Each year the Board evaluates the cost-benefit relationship of preparing GAAP statements and for the year ended June 30, 2015, the Board again made the decision that the significant dollars saved, outweighed the benefit received. The foundation for these cost-containment decisions is based on the premise that the ESC provides valuable services to its client entities and that these services be provided at the lowest possible cost. The Board will continue to evaluate this decision on an annual basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; <u>Finding no Longer Valid</u>
2014-001	<u>Noncompliance:</u> Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the ESC to prepare its annual financial report in accordance with GAAP, however, the ESC prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	No	Repeated as finding 2015-001



Dave Yost • Auditor of State

MID-OHIO EDUCATIONAL SERVICE CENTER

RICHLAND 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
JANUARY 5, 2016