



Dave Yost • Auditor of State



**TRI-COUNTY EDUCATIONAL SERVICE CENTER  
WAYNE COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis .....	11
Statement of Activities – Cash Basis .....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis	
Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to	
Net Position of Governmental Activities – Cash Basis .....	14
Statement of Receipts, Disbursements and Changes	
in Fund Balances – Cash Basis	
Governmental Funds .....	15
Reconciliation of the Statement of Receipts, Disbursements and Changes	
In Fund Balances of Governmental Funds to the Statement of Activities – Cash Basis.....	16
Statement of Fund Net Position – Cash Basis	
Proprietary Fund .....	17
Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis	
Proprietary Fund .....	18
Notes to the Basic Financial Statements .....	19
Schedule of Federal Awards Receipts and Expenditures.....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	42
Independent Auditor's Report on Internal Control Over	
Financial Reporting and on Compliance and Other Matters	
Required by <i>Government Auditing Standards</i> .....	43
Independent Auditor's Report on Compliance with Requirements	
Applicable to Each Major Federal Program and on Internal Control Over	
Compliance Required by OMB Circular A133 .....	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	49

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tri-County Educational Service Center  
Wayne County  
741 Winkler Drive  
Wooster, Ohio 44691

To the Board of Education:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Tri-County Educational Service Center, Wayne County, Ohio (the ESC), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the ESC'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 ESC'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 ESC'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, the major fund, and the aggregate remaining fund information of the Tri-County Educational Service Center, Wayne County, Ohio, as of June 30, 2015, and the respective changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03 (B) requires the ESC 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 Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the ESC'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 ESC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

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

March 16, 2016

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

---

The discussion and analysis of the Tri-County 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. The intent of this discussion and analysis is to look at the ESC's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the ESC's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position decreased \$153,560, which represents a 2 percent decrease from fiscal year 2014.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole ESC. 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 non-major funds presented in total in one column. For fiscal year 2015, the general fund is the ESC's most significant fund.

***Basis of Accounting***

The ESC has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. 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.

***Reporting the ESC as a Whole***

*Statement of Net Position and the Statement of Activities*

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 all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The statement of net position and the statement of activities answer this question.

**Tri-County Educational Service Center**  
**Wayne 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 net position*. This change in net position is important because it tells the reader that, for the ESC as a whole, the *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.

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

***Reporting the ESC's Most Significant Funds***

***Fund Financial Statements***

The analysis of the ESC's major funds begins on page 10. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's 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. The governmental fund statements provide a detailed short-term view of the ESC's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Proprietary Fund** - The ESC maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the ESC's various functions. The ESC uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

***Reporting the ESC's Fiduciary Responsibilities***

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the ESC. These funds are not reflected in the government-wide financial statements because the resources are not available to support the ESC's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

**The ESC as a Whole**

Table 1 provides a summary of the ESC's net position for fiscal year 2015 compared to 2014.

**(Table 1)**  
**Net Position –Cash Basis**

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 4,332,099	\$ 4,764,538
Cash and Cash Equivalents with Fiscal Agent	1,793,733	1,514,854
<i>Total Assets</i>	\$ 6,125,832	\$ 6,279,392
<b>Net Position</b>		
Restricted for Other Purposes	\$ 49,864	\$ 103,936
Unrestricted	6,075,968	6,175,456
<i>Total Net Position</i>	\$ 6,125,832	\$ 6,279,392

Net position of the governmental activities decreased \$153,560, which represents a 2 percent decrease from fiscal year 2014.

A portion of the ESC's net position, \$49,864 or nearly 1 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$6,075,968 may be used to meet the ESC's ongoing obligations.

*This space intentionally blank*

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

**(Table 2)**  
**Changes in Net Position –Cash Basis**

	Governmental Activities	
	2015	2014
<b>Receipts</b>		
<b><i>Program Receipts</i></b>		
Charges for Services and Sales	\$ 10,522,734	\$ 11,913,746
Operating Grants, Contributions and Interest	1,577,593	1,333,733
<b><i>Total Program Receipts</i></b>	<b>12,100,327</b>	<b>13,247,479</b>
<b><i>General Receipts</i></b>		
Grants and Entitlements not Restricted to		
Specific Programs	849,485	1,232,346
Investment Earnings	13,056	5,112
Miscellaneous	71,982	37,798
<b><i>Total General Receipts</i></b>	<b>934,523</b>	<b>1,275,256</b>
<b><i>Total Receipts</i></b>	<b>13,034,850</b>	<b>14,522,735</b>
<b><i>Program Disbursements</i></b>		
Instruction:		
Regular	1,069,158	870,350
Special	3,433,823	3,330,472
Adult/Continuing Education	30,662	33,352
Other	3,666	50,953
Support Services:		
Pupils	3,113,717	3,546,665
Instructional Staff	533,782	708,769
Board of Education	70,107	62,058
Administration	1,052,488	952,996
Fiscal	392,428	352,498
Business	26,615	27,742
Operation and Maintenance of Plant	277,325	258,086
Pupil Transportation	3,452	4,307
Central	2,537,203	2,461,964
Operation of Non-Instructional Services:		
Community Services	643,984	545,387
<b><i>Total Program Disbursements</i></b>	<b>13,188,410</b>	<b>13,205,599</b>
<b><i>Change in Net Position</i></b>	<b>(153,560)</b>	<b>1,317,136</b>
<b><i>Net Position Beginning of Year</i></b>	<b>6,279,392</b>	<b>4,962,256</b>
<b><i>Net Position End of Year</i></b>	<b>\$ 6,125,832</b>	<b>\$ 6,279,392</b>

The ESC's charges for services and sales receipts were \$1,391,012 lower than fiscal year 2014 due to a reduction in the services provided to the member districts and reclassing some federal grants to intergovernmental revenue.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

There was a \$243,860 increase in operating grants, contributions and interest during 2015. This was primarily caused by the completion of the Teach Ohio and Teaching American History federal grants and a decrease in grant receipts received for the Early Literacy state grant and the 21<sup>st</sup> Century Community Learning Centers federal grant during 2015.

The ESC also saw a \$382,861 decrease in grants and entitlements not restricted to specific programs, caused by a decrease in state foundation receipts.

Fluctuations among individual program disbursements is a result of a change in how certain consultant services are provided, while the overall decrease in disbursements is a result of reduced services provided as described above.

**Governmental Activities**

Total governmental disbursements of \$13,188,410 were offset by program receipts of \$12,100,327 and general receipts of \$934,523.

Program receipts supported 92 percent of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from contracted fees for services provided to other entities. This receipt source represents 81 percent of total governmental receipts.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities –Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2015	2014	2015	2014
<b><i>Program Disbursements</i></b>				
<i>Instruction:</i>				
Regular	\$ 1,069,158	\$ 870,350	\$ 109,652	\$ 28,146
Special	3,433,823	3,330,472	(99,257)	(316,273)
Adult/Continuing Education	30,662	33,352	(166,433)	(135,105)
Other	3,666	50,953	3,666	6,102
<i>Support Services:</i>				
Pupils	3,113,717	3,546,665	514,513	111,543
Instructional Staff	533,782	708,769	101,737	22,234
Board of Education	70,107	62,058	14,561	187
Administration	1,052,488	952,996	209,684	6,240
Fiscal	392,428	352,498	79,156	7,122
Business	26,615	27,742	5,390	244
Operation and Maintenance of Plant	277,325	258,086	56,832	24,352
Pupil Transportation	3,452	4,307	1,339	(884)
Central	2,537,203	2,461,964	350,626	323,760
<i>Operation of Non-Instructional Services:</i>				
Community Services	643,984	545,387	(93,383)	(119,548)
<b><i>Total</i></b>	<b><u>\$ 13,188,410</u></b>	<b><u>\$ 13,205,599</u></b>	<b><u>\$ 1,088,083</u></b>	<b><u>\$ (41,880)</u></b>

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

---

***The ESC's Funds***

The ESC's governmental funds are accounted for using the cash basis of accounting.

The ESC's governmental funds reported a combined fund balance of \$4,332,099, which is lower than the prior year balance of \$4,764,538.

The general fund had total cash receipts of \$12,510,870. The cash disbursements of the general fund totaled \$12,846,495. The general fund's fund balance decreased \$378,367 in 2015. The decrease in fund balance can be attributed to disbursements outpacing receipts, as a result of timing differences between services provided and receipt collections.

***Current Issues***

The Tri-County ESC is dedicated to serving its local school districts by providing valuable services as needed. The Board and administration closely monitor its receipts and disbursements in accordance with Board policy to remain financially viable. While many outside factors can affect the economy, including state funding reductions to ESCs, Tri-County ESC continues to provide the best services possible and to be fiscally responsible.

***Contacting the ESC's Financial Management***

This financial report is designed to provide the citizens supported by the districts, investors, and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mary Workman, Treasurer, Tri-County ESC, 741 Winkler Drive, Wooster, Ohio 44691, or by calling 330-345-6771.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2015*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,332,099
Cash and Cash Equivalents with Fiscal Agent	<u>1,793,733</u>
<i>Total Assets</i>	<u><u>\$ 6,125,832</u></u>
<b>Net Position</b>	
Restricted for Other Purposes	\$ 49,864
Unrestricted	<u>6,075,968</u>
<i>Total Net Position</i>	<u><u>\$ 6,125,832</u></u>

See accompanying notes to the basic financial statements.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2015*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 1,069,158	\$ 751,335	\$ 208,171	\$ (109,652)
Special	3,433,823	3,346,381	186,699	99,257
Adult/Continuing Education	30,662	197,095	0	166,433
Other	3,666	0	0	(3,666)
Support Services:				
Pupils	3,113,717	2,227,617	371,587	(514,513)
Instructional Staff	533,782	333,297	98,748	(101,737)
Board of Education	70,107	55,546	0	(14,561)
Administration	1,052,488	798,647	44,157	(209,684)
Fiscal	392,428	287,212	26,060	(79,156)
Business	26,615	21,225	0	(5,390)
Operation and Maintenance of Plant	277,325	220,493	0	(56,832)
Pupil Transportation	3,452	0	2,113	(1,339)
Central	2,537,203	1,813,829	372,748	(350,626)
Operation of Non-Instructional Services:				
Community Services	643,984	470,057	267,310	93,383
<b>Totals</b>	<b>\$ 13,188,410</b>	<b>\$ 10,522,734</b>	<b>\$ 1,577,593</b>	<b>(1,088,083)</b>

**General Receipts**

Grants and Entitlements not Restricted to Specific Programs	849,485
Investment Earnings	13,056
Miscellaneous	71,982

*Total General Receipts* 934,523

*Change in Net Position* (153,560)

*Net Position Beginning of Year* 6,279,392

*Net Position End of Year* \$ 6,125,832

See accompanying notes to the basic financial statements.



**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,282,235	\$ 49,864	\$ 4,332,099
<b>Fund Balances</b>			
Restricted	\$ 0	\$ 49,864	\$ 49,864
Committed	50,000	0	50,000
Assigned	1,252,138	0	1,252,138
Unassigned	2,980,097	0	2,980,097
<i>Total Fund Balances</i>	<u>\$ 4,282,235</u>	<u>\$ 49,864</u>	<u>\$ 4,332,099</u>

See accompanying notes to the basic financial statements.



**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Intergovernmental	\$ 1,956,608	\$ 466,198	\$ 2,422,806
Investment Income	1,601	0	1,601
Tuition and Fees	871,926	0	871,926
Gifts and Donations	4,275	0	4,275
Charges for Services	9,650,807	0	9,650,807
Miscellaneous	25,653	46,329	71,982
<i>Total Receipts</i>	<u>12,510,870</u>	<u>512,527</u>	<u>13,023,397</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	1,043,161	68,209	1,111,370
Special	3,462,285	56,810	3,519,095
Adult/Continuing Education	30,662	0	30,662
Other	0	3,666	3,666
Support Services:			
Pupils	2,924,989	239,439	3,164,428
Instructional Staff	415,181	121,879	537,060
Board of Education	70,107	0	70,107
Administration	1,003,298	72,828	1,076,126
Fiscal	361,724	39,023	400,747
Business	26,615	0	26,615
Operation and Maintenance of Plant	277,325	0	277,325
Pupil Transportation	0	3,452	3,452
Central	2,575,916	255	2,576,171
Operation of Non-Instructional Services:			
Community Services	655,232	3,780	659,012
<i>Total Disbursements</i>	<u>12,846,495</u>	<u>609,341</u>	<u>13,455,836</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(335,625)</u>	<u>(96,814)</u>	<u>(432,439)</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	29,000	71,742	100,742
Advances Out	(71,742)	(29,000)	(100,742)
<i>Total Other Financing Sources (Uses)</i>	<u>(42,742)</u>	<u>42,742</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(378,367)	(54,072)	(432,439)
<i>Fund Balances Beginning of Year</i>	<u>4,660,602</u>	<u>103,936</u>	<u>4,764,538</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,282,235</u>	<u>\$ 49,864</u>	<u>\$ 4,332,099</u>

See accompanying notes to the basic financial statements.

**Tri-County Educational Service Center**

**Wayne County, Ohio**

*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2015*

---

---

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (432,439)
---	--------------

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

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

278,879

*Change in Net Position of Governmental Activities*

\$ (153,560)

See accompanying notes to the basic financial statements.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Fund*  
*June 30, 2015*

---

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	<u>\$ 1,793,733</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 1,793,733</u>

See accompanying notes to the basic financial statements.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Governmental Activities - Internal Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$ 2,058,306
<b>Operating Disbursements</b>	
Purchased Services	506,431
Claims	1,284,451
<i>Total Operating Disbursements</i>	1,790,882
<i>Operating Income</i>	267,424
<b>Non-Operating Receipts</b>	
Interest	11,455
<i>Change in Net Position</i>	278,879
<i>Net Position Beginning of Year</i>	1,514,854
<i>Net Position End of Year</i>	\$ 1,793,733

See accompanying notes to the basic financial statements.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 1 - Description of the Educational Service Center**

The Tri-County Educational Service Center (the “ESC”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The ESC is an educational service center as defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected governing board of nine members and provides services to the public schools in Holmes, Wayne and Ashland Counties. The Board controls the ESC’s instructional support services.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the ESC consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes general operations, and related special education, supervisory and administrative and fiscal 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; the ESC is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or 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. The ESC does not have any component units.

The ESC is associated with the Tri-County Computer Service Association (TCCSA), a jointly governed organization; the Ohio Association of School Business Officials (OASBO)/CompManagement, Inc. Workers’ Compensation Group Rating Program (GRP), the Schools of Ohio Risk Sharing Authority Board (SORSA) and the Jefferson Health Plan, which are public entity risk pools. These organizations are presented in Notes 11 and 12.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the ESC’s accounting policies.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**A. Basis of Presentation**

The ESC's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" receipts and disbursements.

The statement of net position presents the financial condition of the governmental activities of the ESC at fiscal year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the ESC's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. General receipts are receipts which are not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the general receipts of the ESC.

**Fund Financial Statements** During the year, the ESC segregates transactions related to certain ESC functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the ESC at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. 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.

**Governmental Funds** The ESC classifies funds financed primarily from intergovernmental receipts (e.g. grants), and other exchange and nonexchange 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.



**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

The other governmental funds of the ESC account for grants and other resources to which the ESC is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds** The ESC classifies funds financed primarily from user charges for goods or services as proprietary. The ESC's only proprietary fund is an internal service fund.

**Internal service fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the ESC on a cost reimbursement basis. The ESC's only internal service fund accounts for a self-insurance program for employee medical benefits.

**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. Agency funds are custodial in nature. The ESC's only fiduciary fund is an agency fund which accounts for Medicaid administrative claims. At June 30, 2015, the agency fund had no fund balance.

**C. Basis of Accounting**

The ESC's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the ESC's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the ESC are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows of resources 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.

**D. Budgetary Process**

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

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board of Education approve appropriations and estimated resources. The ESC's Board of Education adopts an annual appropriation resolution, which is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Education. The level of control has been established by the Board of Education at the fund level for all funds.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

---

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the ESC is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through ESC records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The ESC participates in the Jefferson Health Plan insurance consortium for self-insurance. These monies are held separate from the ESC's central bank account and are reflected in the financial statement as "cash and cash equivalents with fiscal agent."

During fiscal year 2015, investments were limited to investments in the State Treasury Asset Reserve of Ohio ("STAR Ohio").

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 share price, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2015 amounted to \$1,601, which includes \$252 assigned from other ESC funds.

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

***F. Inventory and Prepaid Items***

The ESC reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

***H. Interfund Receivables/Payables***

The ESC reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

***I. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the ESC's cash basis of accounting.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***J. Employer Contributions to Cost-Sharing Plans***

The ESC recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the ESC classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the ESC Board of Education. Those committed amounts cannot be used for any other purpose unless the ESC Board of Education 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 or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the ESC Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance.

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

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

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***L. Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes amounts for activities associated with assisting the instructional staff with the content and process of providing learning experiences for pupils.

The ESC's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

***M. Interfund Transactions***

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

***N. 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.

***O. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2015, the ESC has implemented Governmental Accounting Standards Board (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 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 7 for further information.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the ESC.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 7 for further information.

**Note 3 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the ESC to prepare its annual financial report in accordance with generally accepted accounting principles. 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

**Note 4 - Deposits and Investments**

State statute classifies 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 monies are public deposits that the ESC's Board of Education 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;

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the ESC's name. During fiscal year 2015, the ESC and public depositories complied with the provisions of these statutes.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 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.

At fiscal year-end, the carrying amount of the ESC's deposits was \$1,463,720, which includes \$525 in cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$1,397,529 of the ESC's bank balance of \$1,647,529 was exposed to custodial risk as discussed above and \$250,000 was covered by depository insurance.

***Investments***

As of June 30, 2015, the ESC had the following investment and maturity:

<u>Investment Type</u>	<u>Cost</u>	<u>Investment Maturity Less than 3 Months</u>	<u>Total Investments</u>
Star Ohio	<u>\$2,868,379</u>	<u>\$2,868,379</u>	<u>100.00%</u>

***Interest Rate Risk.*** 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.

***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 ESC has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***Credit Risk.*** STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a rating of AAAM by Standard and Poor's. The ESC has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk.*** The ESC places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by the ESC at June 30, 2015.

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Funds Held by Fiscal Agent***

The ESC participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$1,793,733. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**Note 5 – State Funding**

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM – the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the local ESCs to which the ESC provides services from payments made under the State's foundation program.

Simultaneously, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC. If additional funding is required and if a majority of the boards of education of the participating ESCs approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating ESCs through reductions in their State foundation.

The local ESCs to which the ESC provides services have agreed to pay \$6.50 per pupil to provide additional funding for services provided by the ESC. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

**Note 6 - Risk Management**

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. During fiscal year 2015, the ESC contracted with the Schools of Ohio Risk Sharing Authority for property and general liability insurance coverage.

General liability coverage is \$15,000,000 annual aggregate/\$17,000,000 single occurrence limit and no deductible. Willis Risk Solutions is the actuary and reinsurance broker. Property coverage is provided by the pool and reinsurer Travelers Insurance Company and includes coverage for crime, employee dishonesty and inland marine. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

For fiscal year 2015, the ESC participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school ESCs is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school ESCs within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school ESCs that can meet the GRPs selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.



**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 7 - Defined Benefit 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.

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 – 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](http://www.ohsers.org) under Employers/Audit Resources.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 \$351,068 for fiscal year 2015.

***Plan Description - State Teachers Retirement System (STRS)***

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. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**Tri-County Educational Service Center**  
**Wayne County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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.

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

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

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

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

The ESC's contractually required contribution to STRS was \$809,735 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:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 14,549,893	\$ 4,010,544	\$ 18,560,437
Proportion of the Net Pension Liability	0.0005981835	0.0007924500	

***Actuarial Assumptions - SERS***

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

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

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

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

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

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

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

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

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

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

**Sensitivity of the 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.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ESC's proportionate share of the net pension liability	\$ 5,721,855	\$ 4,010,544	\$ 2,571,184

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

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

***Sensitivity of the 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ESC's proportionate share of the net pension liability	\$ 20,829,758	\$ 14,549,893	\$ 9,239,240

**Note 8 – Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The ESC participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 plan 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 Ohio Revised Code Section 3309.69. 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 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. 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 SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

---

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 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 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 SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$60,176, \$39,268 and \$34,562, 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 current employer contribution to the Medicare B Fund. For fiscal year 2015, the 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 \$20,883, \$19,924 and \$16,547, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

***B. State Teachers Retirement System***

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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (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. Effective July 1, 2014, zero percent of covered payroll was allocated to post-employment health care. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The ESC's contributions for health care for the fiscal years ended June 30, 2014 and 2013 were \$63,170 and \$61,335, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.



**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

**Note 9 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the ESC is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Restricted for:			
Local Grants	\$ 0	\$ 47,809	\$ 47,809
State Grants	0	730	730
Federal Grants	0	1,325	1,325
Total Restricted	0	49,864	49,864
Committed for:			
Retirement	50,000	0	50,000
Assigned for:			
Student Instruction	1,820	0	1,820
Student and Staff Support	179,024	0	179,024
Community Services	16,911	0	16,911
District Escrow Accounts	59,644	0	59,644
Preschool Activities	648,010	0	648,010
Other Purposes	346,729	0	346,729
Total Assigned	1,252,138	0	1,252,138
Unassigned	2,980,097	0	2,980,097
<i>Total Fund Balance</i>	<b>\$ 4,282,235</b>	<b>\$ 49,864</b>	<b>\$ 4,332,099</b>

**Note 10 – Interfund Advances**

The purpose of the interfund advances from other governmental funds to the general fund is to repay advances from the prior year. At June 30, 2015, the general fund had an unpaid interfund cash advance in the amount of \$71,742 to the federal grant funds to cover costs where receipts were not received by June 30. All interfund advances are expected to be repaid within one year.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

---

**Note 11 - Jointly Governed Organization**

*Tri-County Computer Service Association (TCCSA)* is a jointly governed organization comprised of 23 ESCs and the ESC, created as a regional council of governments pursuant to State statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer of the Tri-County Education Service Center, located in Wooster, Ohio which serves as fiscal agent.

**Note 12 – Public Entity Risk Pools**

*Workers’ Compensation Group Rating Program* The ESC participates in the Ohio Association of School Business Officials (OASBO)/CompManagement, Inc. Workers’ Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The ESC pays a fee to the GRP to cover the costs of administering the program.

*Schools of Ohio Risk Sharing Authority Board* The ESC also participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA’s business affairs are conducted by a nine member Board of Directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the ESC’s property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

*Jefferson Health Plan*– The ESC participates in the Jefferson Health Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan’s business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA’s assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

**Note 13 – Contingencies and Commitments**

**A. Grants**

The ESC received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the ESC at June 30, 2015.

**Tri-County Educational Service Center  
Wayne County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

---

***B. Litigation***

The ESC is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

***C. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$197,755 in the general fund and \$1,917 in the non-major governmental funds.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**TRI-COUNTY EDUCATIONAL SERVICE CENTER  
WAYNE COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed Through Ohio Department of Education</b>			
Special Education Cluster:			
Special Education - Grants to States	84.027	\$ 22,285	\$ 183,953
Special Education - Preschool Grants	84.173	<u>157,980</u>	<u>22,851</u>
Total Special Education Cluster		180,265	206,804
English Language Acquisition State Grants	84.365	17,885	26,502
Twenty-First Century Community Learning Centers	84.287	173,012	289,387
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	4,500	4,500
ARRA - Race to the Top, Recovery Grant	84.395	(3,666)	2,812
<b>Passed Through the Ashland County Family and Children First Council</b>			
Special Education - Grants for Infants and Families	84.181	93,406	99,888
<b>Passed Through the Wayne County Family and Children First Council</b>			
Special Education - Grants for Infants and Families	84.181	103,443	100,596
<b>Received Directly from the U.S. Department of Education</b>			
Fund for the Improvement of Education	84.215	<u>137</u>	<u>-</u>
<b>Total U.S. Department of Education</b>		<u>568,982</u>	<u>730,489</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Passed Through the Ashland County Department of Job &amp; Family Services</b>			
WIA Youth Activities	17.259	124,217	121,034
<b>Passed Through the Wayne County Department of Job &amp; Family Services</b>			
WIA Youth Activities	17.259	<u>181,328</u>	<u>174,743</u>
<b>Total U.S. Department of Labor</b>		<u>305,545</u>	<u>295,777</u>
<b>U.S. Department of Health &amp; Human Services</b>			
<b>Passed Through the Ashland County Department of Job &amp; Family Services</b>			
Temporary Assistance for Needy Families	93.558	76,451	78,682
<b>Passed Through the Wayne County Department of Job &amp; Family Services</b>			
Temporary Assistance for Needy Families	93.558	<u>238,673</u>	<u>234,127</u>
<b>Total U.S. Department of Health &amp; Human Services</b>		<u>315,124</u>	<u>312,809</u>
<b>Total Federal Awards Receipts and Expenditures</b>		<u><u>\$ 1,189,651</u></u>	<u><u>\$ 1,339,075</u></u>

The accompanying notes are an integral part of this schedule.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER  
WAYNE COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



# Dave Yost • Auditor of State

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

Tri-County Educational Service Center  
Wayne County  
741 Winkler Drive  
Wooster, Ohio 44691

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Tri-County Educational Service Center, Wayne County, Ohio (the ESC), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated March 16, 2016, wherein we noted the ESC 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 ESC'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 ESC'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 ESC's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the ESC'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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***ESC's Response to Finding***

The ESC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the ESC'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 ESC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the ESC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

March 16, 2016





# Dave Yost • Auditor of State

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

Tri-County Educational Service Center  
Wayne County  
741 Winkler Drive  
Wooster, Ohio 44691

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Tri-County Educational Service Center's, Wayne County, Ohio (the ESC'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 each of the ESC's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the ESC's major federal programs.

### ***Management's Responsibility***

The ESC'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 ESC's compliance for each of the ESC's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the ESC'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 ESC's major programs. However, our audit does not provide a legal determination of the ESC's compliance.

### ***Opinion on Each Major Federal Program***

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

***Report on Internal Control Over Compliance***

The ESC'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 ESC's internal control over compliance with the applicable requirements that could directly and materially affect each 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 ESC'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 tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

March 16, 2016

**TRI-COUNTY EDUCATIONAL SERVICE CENTER  
WAYNE COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Temporary Assistance for Needy Families - CFDA # 93.558 Special Education Cluster: Special Education Grants to States CFDA # 84.027 & Special Education Preschool Grants CFDA # 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

TRI-COUNTY EDUCATIONAL SERVICE CENTER  
WAYNE COUNTY

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

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

FINDING NUMBER 2015-001

**Noncompliance**

**Ohio Rev. Code § 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 Admin. Code § 117-2-03** further clarifies the requirements of **Ohio Rev. Code § 117.38**.

**Ohio Admin. Code § 117-2-03(B)** requires the ESC to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The ESC prepared 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 No. 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).

**Officials' Response:** The Tri-County Educational Service Center Board of Education recognizes the value in preparing accurate and timely financial statements to reflect the ESC's operations as of fiscal year end. Due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash-basis of accounting will accurately reflect the ESC's financial position and allow for those resources previously spent on GAAP to be allocated to education purposes.

3. FINDINGS FOR FEDERAL AWARDS

None

**TRI-COUNTY EDUCATIONAL SERVICE CENTER  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	ORC 117.38 and OAC 117-2-(03)B - Filing GAAP Financial Statements	No	Not Corrected. See Finding 2015-001.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

TRI COUNTY EDUCATIONAL SERVICE CENTER

WAYNE 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  
APRIL 7, 2016