EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO

FRANKLIN COUNTY

SINGLE AUDIT

JULY 1, 2014 – JUNE 30, 2015

Dave Yost · Auditor of State

Board of Directors
Educational Service Center of Central Ohio
2080 Citygate Drive
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of Central Ohio, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

February 16, 2016

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FRANKLIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Educational Service Center of Central Ohio
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio (the Center), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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CERTIFIED PUBLIC ACCOUNTANTS
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3.A. to the financial statements, during the fiscal year ended June 30, 2015, the Center adopted Governmental Accounting Standard No. 68, *"Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27"* and Governmental Accounting Standards Board No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68"*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 22, 2015

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EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

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

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

Financial Highlights

Key financial highlights for 2015 are as follows:

- The Center's net position was a deficit position of $38,239,605 as of June 30, 2015 according to the Statement of Net Position. This represents an increase of $4,046,464 from last fiscal year's restated net deficit position of $42,286,069.

  During 2015, the Center adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities, thus resulting in the restatement of beginning net position from the previously reported $16,652,200 to the ($42,286,069) listed above. This liability is a present value estimate of the Center's future net cash flows needed to fund future pension cost associated with the employment of current and past employees, whom participate in Ohio statewide pension systems. See page 9 for further discussion of this statement.

- General revenues accounted for $5,902,213 in revenue or 5.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $100,586,933 or 94.46% of total revenues of $106,489,146.

- The Center had $102,442,682 in expenses related to governmental activities; these expenses were supported by program specific charges for services and sales, grants or contributions in the amount of $100,586,933 and general revenues of $5,902,213.

- The Center's major governmental funds are the general fund and Straight A Grant fund. The general fund had $87,012,456 in revenues and other financing sources and $86,458,966 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased from $13,818,905 to $14,372,395.

- The Straight A Grant fund had $4,896,554 in revenues and $9,648,024 in expenditures. At June 30, 2015 the Straight A Grant fund had a fund deficit of $4,751,470. This deficit resulted from accrued liabilities and will be eliminated when the rest of the fiscal year 2015 grant revenue is received.

Using these Basic Financial Statements (BFS)

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

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

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the Center's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts, State budget cuts, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, and other operations.

The government-wide financial statements include not only the activity of the Center itself (known as the primary government), but also a separate entity which has been reported as a discretely presented component unit.

The Center's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major governmental funds begins on page 13. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds.

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Fund

The Center maintains only one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the Center's various functions. The Center has an internal service fund that accounts for a self-insurance program which provides workers' compensation benefits to the Center's employees. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the Center's Fiduciary Responsibilities

The Center maintains agency funds to account for monies due to other governments, individuals or private organizations. All of the Center's fiduciary activities are reported in a separate statement of assets and liabilities on page 26. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-70 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Center's net pension liability. The required supplementary information can be found on pages 72 through 78 of this report.

The Center as a Whole

The statement of net position provides the perspective of the Center as a whole. The following table provides a summary of the Center's net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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Net Position

	Governmental Activities 2015	Restated Governmental Activities 2014
Assets		
Current and other assets	$ 36,216,837	$ 24,752,299
Capital assets, net	4,533,992	4,612,587
Total assets	40,750,829	29,364,886
Deferred outflows of resources		
Pensions	3,903,563	3,156,142
Liabilities		
Current liabilities	16,683,876	7,893,817
Long-term liabilities:		
Due within one year	1,210,186	1,056,128
Due in more than oe year:		
Net pension liability	52,291,425	62,094,411
Other amounts	3,307,705	3,762,741
Long-term liabilities	56,809,316	66,913,280
Total liabilities	73,493,192	74,807,097
Deferred inflows of resources		
Pensions	9,400,805	-
Net position		
Net investment in capital assets	2,517,658	2,318,823
Restricted	5,345,882	269,448
Unrestricted (deficit)	(46,103,145)	(44,874,340)
Total net position (deficit)	$ (38,239,605)	$ (42,286,069)

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

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

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

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

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

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

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

As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $16,652,200 to $(42,286,069).

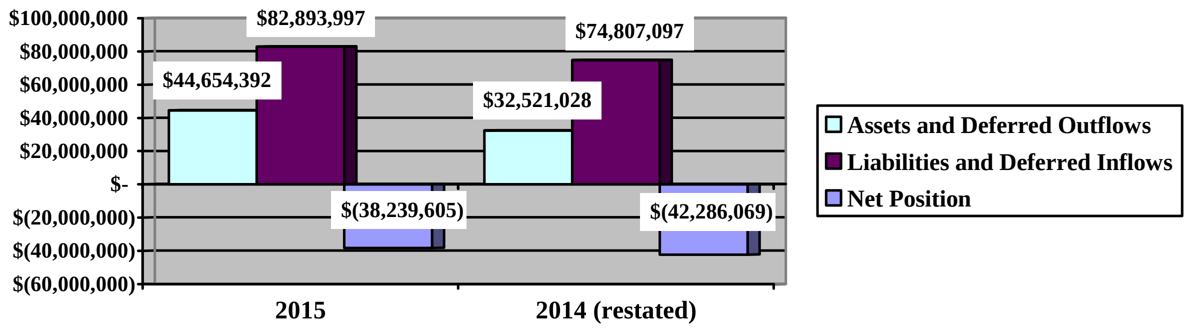
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Center's liabilities and deferred inflows exceeded assets and deferred outflows by $38,239,605.

Total current assets increased due to significantly higher intergovernmental receivables, as well as higher cash balances. Most of the increase in intergovernmental receivables is a result of the Center's new Straight A Grant, which is a two year grant received in fiscal years 2015 and 2016. Current liabilities increased, which is mostly due to payables related to the Straight A Grant. Total liabilities, however, decreased slightly due to a significant decrease in the net pension liability.

At year-end, capital assets represented 11.13% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2015 was $2,517,658. These capital assets are used to provide the Center's services and are not available for future spending.

A portion of the Center's net position, $5,345,882, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $46,103,145.

Governmental Activities



The table below shows the change in net position for fiscal year 2015 and 2014. Net position for 2014 has been restated as described in Note 3.A.

Change in Net Position

	Governmental Activities 2015	Restated Governmental Activities 2014
Revenues		
Program revenues:		
Charges for services and sales	$ 82,461,499	$ 75,513,054
Operating grants and contributions	18,125,434	12,565,927
General revenues:		
Grants and entitlements	5,547,946	4,157,238
Investment earnings	20,689	1,783
Miscellaneous	333,578	244,265
Total revenues	$ 106,489,146	$ 92,482,267

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Change in Net Position (Continued)

	Governmental Activities 2015	Restated Governmental Activities 2014
Expenses		
Program expenses:		
Instruction:		
Regular	$ 3,889,945	$ 587,044
Special	9,153,868	10,100,097
Other	-	213,058
Support services:		
Pupil	8,250,987	8,185,111
Instructional staff	15,395,754	9,600,004
Board of education	33,139	50,510
Administration	10,155,853	9,138,369
Fiscal	2,498,455	2,252,074
Business	589,267	418,458
Operations and maintenance	1,077,815	1,041,731
Pupil transportation	223,127	208,812
Central	51,013,991	45,512,124
Operation of non-instructional services	1,203	54,097
Extracurricular activities	64,200	146,297
Interest and fiscal charges	95,078	107,175
Total expenses	102,442,682	87,614,961
Change in net position	4,046,464	4,867,306
Net position (deficit) at beginning of year (restated)	(42,286,069)	N/A
Net position (deficit) at end of year	$ (38,239,605)	$ (42,286,069)

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $3,156,142 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $2,263,980.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$ 102,442,682
Pension expense under GASB 68	(2,263,980)
2015 contractually required contributions	3,413,582
Adjusted 2015 program expenses	103,592,284
Total 2014 program expenses under GASB 27	87,614,961
Increase in program expenses not related to pensions	$ 15,977,323

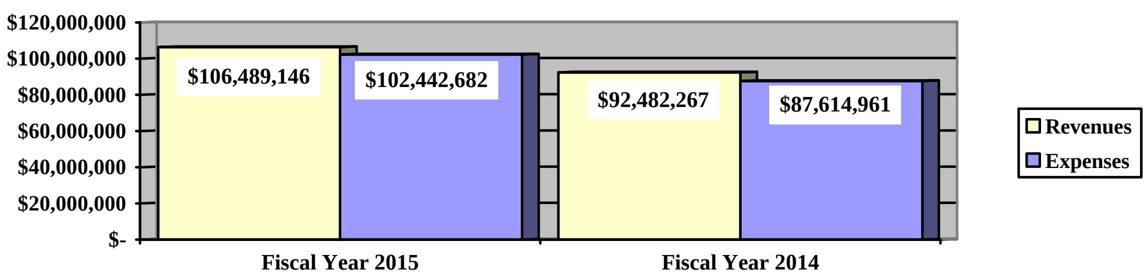
Net position of the Center's governmental activities increased $4,046,464 during fiscal year 2015. Total governmental expenses of $102,442,682 were offset by program revenues of $100,586,933 and general revenues of $5,902,213. Program revenues supported 98.19% of the total governmental expenses.

The overall increase in both revenues and expenses is primarily the result of an increase in services contracts as well as funding received and spent for the Straight A Grant. The primary sources of revenue for governmental activities are derived from tuition and contracted fees for services provided to other entities. These revenue sources represent 77.44% of total governmental revenue.

Most of the Center's expenses are for support services; these accounted for $89,238,388 or 87.11% of total governmental expenses. The most significant of these expenses are for central support services, which are primarily related to the Center's costs for management information and staff recruiting and placement services.

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2015 and 2014.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state grants and entitlements, and other general revenues not restricted to a specific program.

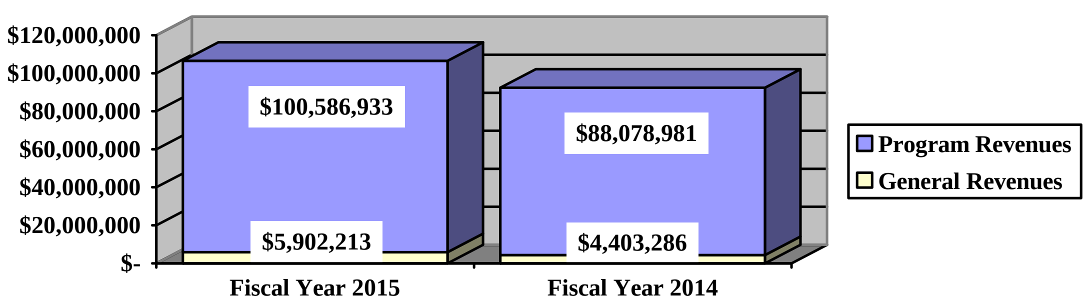
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program expenses				
Instruction:				
Regular	$ 3,889,945	$ 797,841	$ 587,044	$ 562,838
Special	9,153,868	(2,427)	10,100,097	481,964
Other	-	-	213,058	36,178
Support services:				
Pupil	8,250,987	100,646	8,185,111	530,123
Instructional staff	15,395,754	(121,846)	9,600,004	457,826
Board of education	33,139	1,620	50,510	2,702
Administration	10,155,853	(736,626)	9,138,369	(2,373,121)
Fiscal	2,498,455	73,878	2,252,074	125,820
Business	589,267	10,720	418,458	(17,049)
Operations and maintenance	1,077,815	114,211	1,041,731	121,325
Pupil transportation	223,127	209,873	208,812	208,812
Central	51,013,991	1,248,852	45,512,124	(908,338)
Operation of non-instructional services	1,203	(271)	54,097	53,428
Extracurricular activities	64,200	64,200	146,297	146,297
Interest and fiscal charges	95,078	95,078	107,175	107,175
Total expenses	$ 102,442,682	$ 1,855,749	$ 87,614,961	$ (464,020)

For all governmental activities, program revenue support is 98.19% at June 30, 2015 and 100.00% at June 30, 2014. The primary support of the Center is contracted fees for services provided to other districts.

The graph below presents the Center's governmental activities revenue for fiscal year 2015 and 2014.

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of $10,241,753 which is $3,699,634 less than last year's total of $13,941,387. The following table indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance (Deficit) June 30, 2015	Fund Balance June 30, 2014	Increase/ (Decrease)
General Fund	$ 14,372,395	$ 13,818,905	$ 553,490
Straight A Grant	(4,751,470)	-	(4,751,470)
Nonmajor Governmental Funds	620,828	122,482	498,346
Total	$ 10,241,753	$ 13,941,387	$ (3,699,634)

General Fund

The Center's general fund balance increased in fiscal year 2015 by $553,490. The table that follows assists in illustrating the financial activities and change in fund balance of the general fund.

	2015 Amount	2014 Amount	Percentage Change
Revenues			
Tuition	$ 9,710,366	$ 11,248,392	(13.67) %
Customer services	69,067,458	63,864,821	8.15 %
Earnings on investments	11,013	1,783	517.67 %
Intergovernmental	7,974,914	10,346,295	(22.92) %
Other revenues	248,593	239,958	3.60 %
Total	$ 87,012,344	$ 85,701,249	1.53 %
Expenditures			
Instruction	$ 8,894,536	$ 9,108,857	(2.35) %
Support services	77,110,266	69,894,787	10.32 %
Operation of non-instructional services	-	53,361	(100.00) %
Extracurricular activities	55,914	148,802	(62.42) %
Debt service	373,359	383,236	(2.58) %
Total	$ 86,434,075	$ 79,589,043	8.60 %

Tuition revenue decreased due to a decline in special education instruction requested. The increase in customer services revenues is a result of additional services contracts with member entities. Basic State Foundation revenue for the Center increased in 2015; however, total intergovernmental revenues were lower due to various State grants, such as OCALI grants, which were not offered or pursued in 2015. The overall increase in general fund expenditures is due to higher costs for staff placement services.

Straight A Grant Fund

The Straight A Grant was established in fiscal year 2015 to account for a $21.8 million grant from the Ohio Department of Education and is presented as a major fund. The fund had $4,896,554 in revenues and $9,648,024 in expenditures. At June 30, 2015 the Straight A Grant fund had a fund deficit of $4,751,470.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Center had $4,533,992 invested in land, buildings, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The table that follows shows fiscal year 2015 balances compared to 2014.

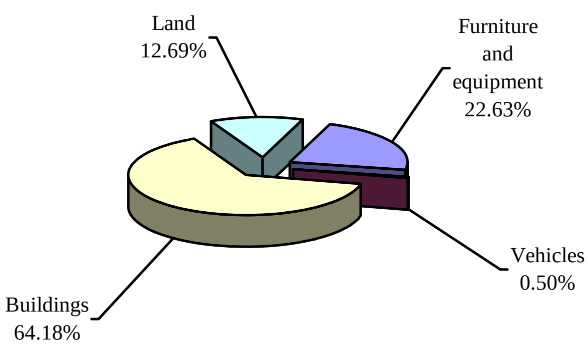
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	$ 575,181	$ 575,181
Buildings	2,910,419	3,005,897
Furniture and equipment	1,025,865	996,089
Vehicles	22,527	35,420
Total	$ 4,533,992	$ 4,612,587

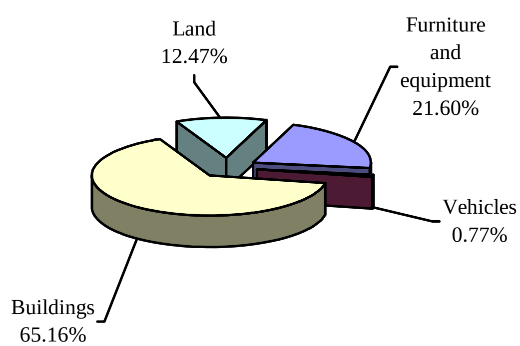
Total additions to capital assets for 2015 were $295,989. A total of $366,343 in depreciation expense was recognized and disposals were $8,241 (net of accumulated depreciation) for fiscal year 2015.

The graphs below present the Center's capital assets for fiscal years 2015 and 2014.

Capital Assets - Governmental Activities
2015



Capital Assets - Governmental Activities
2014



See Note 7 in the notes to the basic financial statements for additional information on the Center's capital assets.

Debt Administration

At June 30, 2015 the Center had $2,016,334 in a lease purchase and capital lease agreement outstanding. Of this total, $289,557 is due within one year and $1,726,777 is due in greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Fiscal Year End

	Governmental Activities 2015	Governmental Activities 2014
Lease purchase agreement	$ 1,913,000	$ 2,142,000
Capital lease obligations	103,334	151,764
Total	$ 2,016,334	$ 2,293,764

See Note 9 in the notes to the basic financial statements for detail on the Center's debt administration.

Current Financial Related Activities

The Center is in a stable financial position at the end of June 2015. The Governing Board has a permanent improvement fund to cover possible future office space needs or payment of office building rental, and future technology equipment needs. Legislative requirements for the development of Ohio Educational Regional Service System will have an impact on educational service centers in the future. At this time, it is impossible to determine what effect this legislation will have on the Educational Service Center of Central Ohio.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be directed to Mr. Alan Hutchinson, Treasurer, Educational Service Center of Central Ohio, 2080 Citygate Dr., Columbus, Ohio 43219.

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Component Unit
Assets:		
Equity in pooled cash and cash equivalents. .	$ 18,837,152	$ 2,268,544
Receivables:		
Accounts.	8,496,145	4,453,548
Accrued interest	10,709	-
Intergovernmental	8,827,300	-
Loans.	45,531	-
Restricted assets:		
Cash held on behalf of others	-	638,056
Capital assets:		
Nondepreciable capital assets	575,181	-
Depreciable capital assets, net.	3,958,811	-
Capital assets, net	4,533,992	-
Total assets.	40,750,829	7,360,148
Deferred outflows of resources:		
Pension - STRS	2,988,175	4,077,789
Pension - SERS	915,388	3,029,063
Total deferred outflows of resources.	3,903,563	7,106,852
Liabilities:		
Accounts payable.	9,377,247	7,936
Accrued wages and benefits payable	3,029,699	3,004,820
Due to other governments	3,336,360	1,782,156
Claims payable.	5,325	-
Accrued interest payable	7,103	-
Unearned revenue	928,142	-
Payables from restricted assets	-	638,056
Long-term liabilities:		
Due within one year.	1,210,186	483,360
Due in more than one year:		
Net pension liability (See Notes 12 and 18).	52,291,425	83,782,755
Other amounts due in more than one year. .	3,307,705	423,789
Total liabilities	73,493,192	90,122,872
Deferred inflows of resources:		
Pension - STRS.	7,446,772	9,005,863
Pension - SERS.	1,954,033	5,697,382
Total deferred inflows of resources.	9,400,805	14,703,245
Net position:		
Net investment in capital assets.	2,517,658	-
Restricted for:		
Locally funded programs	203,922	-
State funded programs.	4,751,470	-
Federally funded programs	390,285	-
Student activities	205	-
Unrestricted (deficit)	(46,103,145)	(90,359,117)
Total net position (deficit)	$ (38,239,605)	$ (90,359,117)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**	**Component Unit**
Governmental activities:					
Instruction:					
Regular	$ 3,889,945	$ 5,064	$ 3,087,040	$ (797,841)	$ -
Special	9,153,868	8,881,436	274,859	2,427	-
Support services:					
Pupil	8,250,987	8,142,151	8,190	(100,646)	-
Instructional staff	15,395,754	5,919,891	9,597,709	121,846	-
Board of education	33,139	31,519	-	(1,620)	-
Administration	10,155,853	8,808,320	2,084,159	736,626	-
Fiscal	2,498,455	2,118,476	306,101	(73,878)	-
Business	589,267	574,947	3,600	(10,720)	-
Operations and maintenance	1,077,815	808,747	154,857	(114,211)	-
Pupil transportation	223,127	593	12,661	(209,873)	-
Central	51,013,991	47,170,289	2,594,850	(1,248,852)	-
Operation of non-instructional services	1,203	66	1,408	271	-
Extracurricular activities	64,200	-	-	(64,200)	-
Interest and fiscal charges	95,078	-	-	(95,078)	-
Total governmental activities	$ 102,442,682	$ 82,461,499	$ 18,125,434	(1,855,749)	-
Component unit					
Educational Service Center Council of Governments	$ 56,760,253	$ 58,955,946	$ -	-	2,195,693
	General revenues:				
	Grants and entitlements not restricted to specific programs			5,547,946	-
	Investment earnings			20,689	-
	Miscellaneous			333,578	-
	Total general revenues			5,902,213	-
	Special item (see Note 18.A)			-	612,120
	Change in net position			4,046,464	2,807,813
	Net position (deficit) at beginning of year (restated)			(42,286,069)	(93,166,930)
	Net position (deficit) at end of year			$ (38,239,605)	$ (90,359,117)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Straight "A"	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and cash equivalents	$ 16,706,032	$ 1,509,823	$ 235,808	$ 18,451,663
Receivables:				
Accounts	8,293,649	-	202,496	8,496,145
Accrued interest	10,709	-	-	10,709
Intergovernmental	348,502	7,407,874	1,070,924	8,827,300
Loans.	45,531	-	-	45,531
Due from other funds.	233,347	-	-	233,347
Total assets	$ 25,637,770	$ 8,917,697	$ 1,509,228	$ 36,064,695
Liabilities:				
Accounts payable	$ 303,179	$ 8,917,697	$ 103,137	$ 9,324,013
Accrued wages and benefits payable	2,990,462	-	39,237	3,029,699
Compensated absences payable.	153,166	-	-	153,166
Due to other governments.	3,005,296	-	331,064	3,336,360
Due to other funds.	-	-	233,347	233,347
Unearned revenue	928,142	-	-	928,142
Total liabilities	7,380,245	8,917,697	706,785	17,004,727
Deferred inflows of resources:				
Customer services revenue not available.	3,619,066	-	57,233	3,676,299
Intergovernmental revenue not available.	126,329	4,751,470	124,382	5,002,181
Accrued interest not available	9,676	-	-	9,676
Other revenue not available	130,059	-	-	130,059
Total deferred inflows of resources	3,885,130	4,751,470	181,615	8,818,215
Fund balances:				
Restricted:				
Special education.	-	-	90,358	90,358
Targeted academic assistance	-	-	146	146
Student activities.	-	-	205	205
Other purposes	-	-	366,100	366,100
Assigned:				
Student instruction	91,083	-	-	91,083
Student and staff support	3,948,145	-	-	3,948,145
Capital improvements	-	-	164,019	164,019
Unassigned (deficit)	10,333,167	(4,751,470)	-	5,581,697
Total fund balances	14,372,395	(4,751,470)	620,828	10,241,753
Total liabilities, deferred inflows of resources				
and fund balances	$ 25,637,770	$ 8,917,697	$ 1,509,228	$ 36,064,695

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total governmental fund balances		$ 10,241,753
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,533,992
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Customer services receivable	$ 3,676,299	
Accounts receivable	130,059	
Intergovernmental receivable	5,002,181	
Accrued interest receivable	9,676	
Total		8,818,215
Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The assets and of the internal service fund are included in governmental activities on the statement of net position.		326,930
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,103)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - pension	3,903,563	
Deferred inflows of resources - pension	(9,400,805)	
Net pension liability	(52,291,425)	
Total		(57,788,667)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,453,220)	
Intergovernmental payable	(895,171)	
Capital lease obligations	(103,334)	
Lease purchase agreement	(1,913,000)	
Total		(4,364,725)
Net position of governmental activities		$ (38,239,605)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Straight "A"	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	$ 9,710,366	$ -	$ -	$ 9,710,366
Customer services	69,067,458	-	1,977,407	71,044,865
Earnings on investments	11,013	-	-	11,013
Rental income	208,179	-	-	208,179
Contributions and donations	566	-	-	566
Other local revenues	39,848	-	22,500	62,348
Intergovernmental - intermediate	-	-	99,814	99,814
Intergovernmental - state	6,483,658	4,896,554	472,317	11,852,529
Intergovernmental - federal	1,491,256	-	5,735,807	7,227,063
Total revenues	87,012,344	4,896,554	8,307,845	100,216,743
Expenditures:				
Current:				
Instruction:				
Regular	786,073	2,946,310	146,464	3,878,847
Special	8,108,463	-	1,423,152	9,531,615
Support services:				
Pupil	8,605,225	-	7,913	8,613,138
Instructional staff	6,041,761	6,549,457	3,122,527	15,713,745
Board of education	33,313	-	-	33,313
Administration	9,208,966	152,257	1,062,784	10,424,007
Fiscal	2,079,166	-	437,568	2,516,734
Business	607,669	-	3,600	611,269
Operations and maintenance	841,621	-	167,131	1,008,752
Pupil transportation	206,583	-	13,821	220,404
Central	49,485,962	-	1,420,881	50,906,843
Operation of non-instructional services	-	-	1,537	1,537
Extracurricular activities	55,914	-	-	55,914
Facilities acquisition and construction	-	-	26,900	26,900
Debt service:				
Principal retirement	277,430	-	-	277,430
Interest and fiscal charges	95,929	-	-	95,929
Total expenditures	86,434,075	9,648,024	7,834,278	103,916,377
Excess (deficiency) of revenues over (under) expenditures	578,269	(4,751,470)	473,567	(3,699,634)
Other financing sources (uses):				
Transfers in	112	-	52,319	52,431
Transfers (out)	(24,891)	-	(27,540)	(52,431)
Total other financing sources (uses)	(24,779)	-	24,779	-
Net change in fund balances	553,490	(4,751,470)	498,346	(3,699,634)
Fund balances at beginning of year	13,818,905	-	122,482	13,941,387
Fund balances (deficit) at end of year	$ 14,372,395	$ (4,751,470)	$ 620,828	$ 10,241,753

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds		$ (3,699,634)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 295,989	
Current year depreciation	(366,343)	
Total		(70,354)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(8,241)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Customer services	1,670,803	
Earnings on investments	9,676	
Other revenue	120,450	
Intergovernmental	4,471,474	
Total		6,272,403
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		277,430
In the statement of activities, interest is accrued on the lease purchase agreement, whereas in governmental funds, an interest expenditure is reported when due.		851
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.		3,413,582
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		(2,263,980)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		13,907
The internal service funds used by management to charge the costs of workers' compensation to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		110,500
Change in net position of governmental activities		$ 4,046,464

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

		Governmental Activities - Internal Service Funds
Assets:		
Equity in pooled cash		
and cash equivalents	$	385,489
Total assets		385,489
Liabilities:		
Accounts payable		53,234
Claims payable		5,325
Total liabilities		58,559
Net position:		
Unrestricted		326,930
Total net position	$	326,930

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services.	$ 213,825
Total operating revenues	213,825
Operating expenses:	
Purchased services.	11,180
Claims	92,145
Total operating expenses.	103,325
Operating income/change in net position . .	110,500
Net position at beginning of year.	216,430
Net position at end of year	$ 326,930

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from charges for services	$ 213,825
Cash payments for contractual services	(508,004)
Cash payments for claims	(96,260)
Net cash used in operating activities	(390,439)
Cash and cash equivalents at beginning of year	775,928
Cash and cash equivalents at end of year	$ 385,489
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 110,500
Changes in assets and liabilities:	
Increase in accounts payable	51,979
Decrease in claims payable	(552,918)
Net cash used in operating activities	$ (390,439)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	Agency
Assets:	
Equity in pooled cash	
and cash equivalents	$ 1,456,638
Receivables:	
Accounts	330
Intergovernmental.	530,133
Total assets	$ 1,987,101
Liabilities:	
Accounts payable.	$ 422,727
Accrued wages and benefits	1,614
Intergovernmental payable	1,386,169
Deposits held on behalf of others.	131,060
Loans payable	45,531
Total liabilities	$ 1,987,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE CENTER

The Educational Service Center of Central Ohio (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The Center operates under a locally-elected five member Governing Board form of government and provides educational services as mandated by State or federal agencies. The Governing Board controls the Center's staff that provides services to students and other community members.

The Center provides services in the area of special education classes, supervision, administration, fiscal and other needed services to 25 school districts in Delaware, Franklin, Licking, Ross and Union Counties. In addition, the Center provides contracted services and fiscal services for non-public schools and various state and local agencies such as the Ohio Department of Education projects and the Catholic Diocese.

The Center is located in Columbus, Ohio and is staffed by 290 certified and 211 non-certified personnel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's Governing Board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Center has one component unit, which is discussed on the following page.

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

The following organizations are described due to their relationship with the Center.

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

COMPONENT UNIT

Educational Service Center Council of Governments (the "Council") - The Council is a legally separate body politic and corporate served by an appointed three-member Board of Directors that meets the definition of regional council of governments under Chapter 167 of the Ohio Revised Code. The Council provides employment services primarily to the Center. The Council is a jointly governed entity between the Center, the Delaware City Schools and the Gahanna-Jefferson Public Schools. Other school districts, community schools and other political subdivisions that have entered into service agreements with the Council shall automatically be members of the Council's Advisory Committee during the terms of such agreements. The Treasurer of the Center is also the Treasurer of the Council.

The Center appoints a majority of the Council's governing board, therefore the Council has been determined to be a discretely presented component unit and has been included as part of the Center's basic financial statements. The Council issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. The report may be obtained by writing to the Treasurer of the Educational Service Center of Central Ohio, 2080 Citygate Dr., Columbus, Ohio 43219.

JOINTLY GOVERNED ORGANIZATIONS

Meta Solutions
The Center is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2015, the Center paid Meta Solutions $64,244 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Delaware Area Career Center
The Delaware Area Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of two representatives from each of the participating school districts' elected boards, and one representative from the Center. The Career Center possesses its own budgeting and taxing authority. Financial information is available from Christopher Bell, Treasurer, Delaware Area Career Center, at 4565 Columbus Pike, Delaware, Ohio 43015.

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

Tri-Rivers Career Center
The Tri-Rivers Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, and one representative from the Center. The Career Center possesses its own budgeting and taxing authority. Financial information is available from Steve Earnest, Treasurer, Tri-Rivers Career Center, at 2222 Marion-Mt. Gilead Road, Marion, Ohio 43302.

PUBLIC ENTITY RISK POOL

Optimal Health Initiatives Consortium
The Center is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts and other entities whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. The Consortium's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 209, Cincinnati, Ohio 45242.

B. Fund Accounting

The Center 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

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

The following are the Center's major governmental funds:

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.

Straight A Grant fund - The Straight A Grant fund is used to account for grant revenue from the Ohio Department of Education.

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

Other governmental funds of the Center are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the Center's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is a description of the Center's proprietary funds:

<u>*Internal service funds*</u> - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center, or to other governments, on a cost-reimbursement basis. The internal service funds of the Center account for self-insurance programs which provide workers' compensation benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for various resources held for other organizations and individuals.

C. Basis of Presentation and Measurement Focus

<u>*Government-wide Financial Statements*</u> - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Center that are governmental and those that are considered business-type.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Center and for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements - Fund financial statements report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows and current liabilities and deferred inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the Center's internal service funds is charges for services. Operating expenses for internal service funds include charges for services and claims expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, deferred outflows of resources have been reported for the following two items related the Center’s net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Center’s contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center unavailable revenue includes, but is not limited to, customer service fees and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The Center also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the Center’s net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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

E. Budgetary Process

Although not legally required, the Center adopts a budget for all funds, except agency 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 Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Center requirement to file budgetary information with the Ohio Department of Education was eliminated and the Center has elected to not present budgetary schedules as supplementary information for fiscal year 2015. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated resources. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds.

F. Cash and Cash Equivalents

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

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to $11,013, which includes $1,704 assigned from other Center funds.

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

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

An analysis of the Center's investment account at fiscal year-end is provided in Note 4.

G. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of $1,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

H. Compensated Absences

The Center accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments.

All employees with eight or more years of service were included in the calculation of the long-term compensated absences accrual amount. Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments as termination or retirement.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Lease purchase agreements and capital leases are recognized as a liability on the fund financial statements when due.

J. Fund Balance

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

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

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

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

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

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

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

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

K. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Estimates

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

N. Interfund Activity

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

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

O. Interfund Balances

On fund financial statements, receivables and payables to cover deficit cash balances are classified as "due to/from other funds." On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

Loans between governmental funds and agency funds are reported as "loans receivable/payable" on the financial statements.

P. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

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

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

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Center's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented on pages 72-78.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	$ 16,652,200
Deferred outflows - payments subsequent to measurement date	3,156,142
Net pension liability	(62,094,411)
Restated net position at July 1, 2014	$ (42,286,069)

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

B. Deficit Fund Balance

Fund balances at June 30, 2015 included a deficit of $4,751,470 in the Straight A Grant fund. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the 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 items (1) and (2) above 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 banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the Center had $750 in undeposited cash on hand which is included on the financial statements of the Center as part of “equity in pooled cash and cash equivalents”.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all Center deposits was $20,270,253. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, $17,766,838 of the Center's bank balance of $20,623,803 was exposed to custodial risk as discussed below, while $2,856,965 was covered by the FDIC.

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

C. Investments

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

Investment type	Fair Value	Investment Maturities 6 months or less
STAR Ohio	$ 22,787	$ 22,787

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 Center's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center's investment policy does not specifically address credit risk beyond requiring the Center to only invest in securities authorized by State statute.

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

Investment type	Fair Value	% of Total
STAR Ohio	$ 22,787	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Cash and investments per note	
Carrying amount of deposits	$ 20,270,253
Investments	22,787
Cash on hand	750
Total	$ 20,293,790
Cash and cash equivalents per statement of net position	
Governmental activities	$ 18,837,152
Agency funds	1,456,638
Total	$ 20,293,790

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2015, as reported on the fund statements, consist of the following amounts due to/from other funds:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	$ 233,347

The primary purpose of the due to/from other funds is to cover negative cash at fiscal year end. The interfund balances will be repaid once the anticipated revenues are received. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

Transfers from	Transfers to	Amount
General fund	Nonmajor governmental funds	$ 24,891
Nonmajor governmental funds	General fund	112
Nonmajor governmental funds	Nonmajor governmental funds	27,428

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The nonmajor governmental funds transferred $112 to the general fund to return unused local funds for a grant program that was closed out during the year. Transfers between nonmajor governmental funds consist of transfers of required local matching funds for a grant.

All transfers made in fiscal year 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Loans between governmental funds and agency funds are reported as "loans receivable/payable" on the financial statements. The Center had the following loans outstanding at fiscal year end:

Loan from	Loan to	Amount
General fund	Agency funds	$ 45,531

The primary purpose of the loans is to cover costs in specific funds where revenues were not received by June 30. These loans will be repaid once the anticipated revenues are received, which is expected to be within one year.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015 consisted of accounts and intergovernmental, which represent billings to school districts and other parties for user charged services, and loans. All receivables are considered collectible in full. Receivables have been disaggregated on the face of the basic financial statements. Except for intergovernmental receivables of $243,237, all receivables are expected to be collected within the subsequent year.

NOTE 7 - CAPITAL ASSETS

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

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
Capital assets, not being depreciated:				
Land	$ 575,181	$ -	$ -	$ 575,181
Capital assets, not being depreciated	575,181	-	-	575,181
Capital assets, being depreciated:				
Buildings	3,690,221	-	-	3,690,221
Furniture and equipment	4,050,151	295,989	(270,892)	4,075,248
Vehicles	238,470	-	-	238,470
Total capital assets, being depreciated	7,978,842	295,989	(270,892)	8,003,939
Less: accumulated depreciation:				
Buildings	(684,324)	(95,478)	-	(779,802)
Furniture and equipment	(3,054,062)	(257,972)	262,651	(3,049,383)
Vehicles	(203,050)	(12,893)	-	(215,943)
Total accumulated depreciation	(3,941,436)	(366,343)	262,651	(4,045,128)
Governmental activities capital assets, net	$ 4,612,587	$ (70,354)	$ (8,241)	$ 4,533,992

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$ 24,551
Support services:	
Pupil	333
Instructional staff	12,883
Administration	133,816
Fiscal	2,997
Business	3,260
Operations and maintenance	40,691
Pupil transportation	8,103
Central	139,709
Accumulated depreciation	$ 366,343

NOTE 8 - LEASE OBLIGATIONS - LESSEE DISCLOSURE

A. Lease-Purchase Agreement

On December 21, 2006, the Center entered into a fifteen year $3,500,000 lease-purchase agreement to purchase the office building located at 2080 Citygate Drive, Columbus, Ohio. The lease-purchase agreement is with the OASBO Expanded Asset Pool Financing Program with bonds issued through the Columbus Regional Airport Authority. At June 30, 2015, capital assets acquired by lease purchase have been capitalized under land and buildings in the amounts of $128,300 and $3,371,700, respectively. Accumulated depreciation on buildings as of June 30, 2015 was $726,984 leaving a current book value of $2,644,716. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2015 totaled $229,000 and $90,343, respectively.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2015.

Fiscal Year Ending June 30,	Total
2016	$ 318,917
2017	319,022
2018	318,637
2019	317,762
2020	317,375
2021 - 2022	634,338
Total minimum lease payments	2,226,051
Less: amount representing interest	(313,051)
Present value of minimum lease payments	$ 1,913,000

NOTE 8 - LEASE OBLIGATIONS - LESSEE DISCLOSURE - (Continued)

B. Capital Lease Agreement

During fiscal year 2014, the Center entered into capitalized leases for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the general fund.

Capital assets consisting of equipment have been capitalized in the amount of $198,167. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation on the equipment as of June 30, 2015 was $99,084 leaving a current book value of $99,083. Principal and interest payments in fiscal year 2015 totaled $48,430 and $5,586, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	Amount
2016	$ 54,016
2017	54,016
Total minimum lease payments	108,032
Less: amount representing interest	(4,698)
Present value of minimum lease payments	$ 103,334

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2014 have been restated as described in Note 3.A. The Center's long-term obligations at fiscal year end consist of the following:

	Restated Balance Outstanding 06/30/14	Additions	Reductions	Balance Outstanding 06/30/15	Amounts Due in One Year
Compensated absences	$ 1,903,581	$ 364,769	$ (661,964)	$ 1,606,386	$ 456,651
Intergovernmental payable	621,524	273,647	-	895,171	463,978
Capital lease	151,764	-	(48,430)	103,334	50,557
Lease purchase agreement	2,142,000	-	(229,000)	1,913,000	239,000
Net pension liability	62,094,411	-	(9,802,986)	52,291,425	-
Total long-term obligations	$ 66,913,280	$ 638,416	$ (10,742,380)	$ 56,809,316	$ 1,210,186

Compensated absences will be paid from the fund from which the employees' salaries are paid which is primarily the general fund. The intergovernmental payable will be paid from the general fund. See Note 8 for details on the lease purchase agreement and capital lease. See Note 12 for detail on the net pension liability.

NOTE 10 - RISK MANAGEMENT

A. General Risk

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center has addressed the various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate. Fleet insurance is maintained in the amount of $1,000,000 for each occurrence. Excess liability insurance is maintained in the amount of $4,000,000 for each occurrence, offense, accident or wrongful act limit and $4,000,000 annual aggregate limit.

The Center maintains commercial property insurance on buildings and buildings contents in the amount of $11,330,496 with supplemental coverage for computers and classroom equipment in the amount of $500,000.

Other insurance includes hired non-owned auto coverage for employees using their vehicles for Center business.

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

B. Workers' Compensation

Effective July 1, 2012, the Center became self-insured in an effort to control claims and costs related to injured workers' compensation. The Center pays into a self-insurance internal service fund a percentage of the covered employees' salaries. The rate is fixed and determined annually based on claims experience. The Center contracts with a third party to manage claims and also purchased stop-loss coverage for claims exceeding $400,000.

The claims liability of $5,325 at June 30, 2015, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

The change in claims activity for the past two fiscal years is as follows:

	Balance June 30, 2015	Balance June 30, 2014
Claims liability at beginning of fiscal year	$ 9,440	$ 5,149
Incurred claims	92,145	67,382
Claims paid	(96,260)	(63,091)
Claims liability at end of fiscal year	$ 5,325	$ 9,440

NOTE 10 - RISK MANAGEMENT - (Continued)

C. Health and Dental Insurance

Effective March 1, 2014, the Center is a member of the Optimal Health Initiatives Consortium to provide employee health and dental insurance. The Center pays 80% of contributions and employees pay 20%. See page 29 for a description of the Optimal Health Initiatives Consortium.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from Center policy and State laws. Only administrative and support personnel who are under a full year contract are eligible for vacation time.

The Superintendent and Treasurer receive thirty days of vacation per year. Certified employees on an eleven month contract receive ten days per year. All other full time employees earn up to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Classified personnel accumulate vacation based on the following schedule:

Years of Service	Vacation Days
1 - 9	12
10 - 19	15
20 - Beyond	20

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis.

For all employees, retirement severance is paid to each employee retiring from the Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee’s accumulated sick leave at the time of his/her retirement up to a maximum of thirty days for employees with less than eight years of service and a maximum of fifty days for employees with eight years or more of service, with the exception of the Superintendent and former Superintendent of Delaware Union Educational Service Center who have no maximum.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The Center's contractually required contribution to SERS was $812,920 for fiscal year 2015. Of this amount, $52,014 is reported as due to other governments.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The Center's contractually required contribution to STRS was $2,600,662 for fiscal year 2015. Of this amount, $304,713 is reported as due to other governments.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 12,039,427	$ 40,251,998	$ 52,291,425
Proportion of the Net Pension Liability	0.23788900%	0.16548631%	
Pension Expense	$ 702,582	$ 1,561,398	$ 2,263,980

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 102,468	$ 387,513	$ 489,981
Center contributions subsequent to the measurement date	812,920	2,600,662	3,413,582
Total Deferred Outflows of Resources	$ 915,388	$ 2,988,175	$ 3,903,563
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 1,954,033	$ 7,446,772	$ 9,400,805

$3,413,582 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	$ (462,891)	$ (1,764,815)	$ (2,227,706)
2017	(462,891)	(1,764,815)	(2,227,706)
2018	(462,891)	(1,764,815)	(2,227,706)
2019	(462,892)	(1,764,814)	(2,227,706)
Total	$ (1,851,565)	$ (7,059,259)	$ (8,910,824)

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$ 17,176,684	$ 12,039,427	$ 7,718,549

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:

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$ 57,625,123	$ 40,251,998	$ 25,560,180

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Center's surcharge obligation was $22,328.

The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $69,724, $52,650, and $57,917, respectively. The full amount has been contributed for all three years.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $148,575, and $155,769 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 14 - STATE FUNDING

The Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from state resources. Part (B) of the budget is provided by the school districts to which the Center provided services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by $6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Center by $37. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Center through additional reductions in their resources provided through the State Foundation Program. The State Governing Board initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE

A. On November 16, 2012, the Center entered into a lease agreement on behalf of the Central Ohio Special Education Regional Resource Center with the Columbus City School District (the "Landlord") to rent space in the Glenmont Elementary School. The length of the lease shall be for a period of 36 months commencing September 1, 2012, and ending on August 31, 2015. The Center retains the option to renew for an additional three year term. Either party may terminate the lease with six months written notice provided the party seeking to terminate is not in default of the lease at the time notice is provided or at any time during the six month notice period.

The Center shall pay to the Landlord the annual base rent payable in monthly installments each in advance on the first day of each and every month during the term. The annual base rent shall be paid as follows:

Lease Year	Annual Base Rent	Monthly Base Rent
1	$ 51,947	$ 4,329
2	53,246	4,437
3	54,577	4,548

B. On June 25, 2013, the Center entered into a lease agreement with the Delaware Area Career Center (the "Landlord") to rent building space. The length of the lease shall be for a period of 24 months commencing July 1, 2013, and ending on June 30, 2015. The Center retains the option to renew for an additional two year term upon the same terms of this lease, subject to a two percent yearly rent increase.

The Center shall pay to the Landlord the annual base rent payable in monthly installments each in advance on or before the first day of each and every month during the term. The annual base rent shall be paid as follows:

NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE - (Continued)

Lease Year	Annual Base Rent	Monthly Base Rent
1	$ 2,858	$ 238
2	2,915	243

NOTE 16 - CONTINGENCIES

A. Grants

The Center receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims or expenditures will not have a material adverse effect on the financial position of the Center at June 30, 2015.

B. Litigation

The Center is not a party to legal proceedings that would have a material effect, if any, on the financial condition of the Center.

NOTE 17 - OTHER COMMITMENTS

The Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the Center's commitments for encumbrances in the governmental funds were as follows:

Fund	Fiscal Year-End Encumbrances
General fund	$ 4,038,076
Straight A Grant	13,745,307
Nonmajor governmental	1,380,375
Total	$ 19,163,758

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS

The Educational Service Center Council of Governments (the Council) is a legally separate body politic and corporate served by an appointed three-member Board of Directors and meets the definition of regional council of governments under Chapter 167 of the Ohio Revised Code. The three member Board is made up of representatives from Gahanna Jefferson Public Schools, Delaware City Schools and the Educational Service Center of Central Ohio. The Council provides employment services primarily to the Educational Service Center of Central Ohio (Center).

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

The Council is a jointly governed entity between the Center, the Delaware City and the Gahanna-Jefferson Public Schools. Other School Districts, community schools and other political subdivisions that have entered into service agreements with the Council shall automatically be members of the Council's Advisory Committee during the terms of such agreements. The Superintendent and Treasurer of the Center are also the Superintendent and Treasurer of the Council. The Council is a component unit of the Center.

The Council participates in a public entity shared risk pool to provide health and dental benefits to its employees. See Note 18.J for additional detail.

A. Summary of Significant Accounting Policies

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

Basis of Presentation **-** The Council's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus **-** The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Council's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Council receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Council on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process **-** Regional Councils of Government are not subject to budgetary provisions set forth in the Ohio Revised Code Chapter 5705.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

Cash and Cash Equivalents - Cash held by the Council is reflected as “cash and cash and equivalents” on the statement of net position. All monies received by the Council are maintained in a demand deposit account. For internal accounting purposes, the Council segregates its cash. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The Council had no investments during the fiscal year ended June 30, 2015.

***Capital Assets* -** The Council maintains no capital assets.

***Net Position* -** Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council did not have any restricted net position at fiscal year-end.

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

***Compensated Absences* -** Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or some other means. The Council records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Council has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year-end, taking into consideration any limits specified in the Council’s termination policy. The Council records a liability for accumulated unused sick leave for all employees age 52 years and older.

***Accrued Liabilities and Long-Term Obligations* -** All payables, accrued liabilities and long-term obligations are reported in the financial statements.

***Estimates* -** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Operating Revenues and Expenses - Operating revenues are those revenues that are generally directly from the primary activities of the Council. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Council. All revenues and expenses not meeting this definition are reported as non-operating.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The Council had no extraordinary items during fiscal year 2015. Prior to July 1, 2014, the Council, in conjunction with the Center, acted as fiscal agent for the assets and liabilities of the Educational Council. Effective July 1, 2014 the Educational Council voted to transfer all of its operations to the Council and Center. The transfer of assets and liabilities from the Educational Council is reported as a special item in the financial statements.

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

B. Accountability

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

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

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Council's pension plan disclosures and added required supplementary information which is presented on pages 28-34 of the Council's financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. Net position at July 1, 2014 has been restated as follows:

Net position as previously reported	$ 614,842
Deferred outflows - payments subsequent to measurement date	5,451,743
Net pension liability	(99,233,515)
Restated net position at July 1, 2014	$ (93,166,930)

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

C. Cash Deposits

At June 30, 2015, the carrying amount of all Council deposits was $2,906,600. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2015, $2,041,458 of the Council's bank balance of $2,924,458 was exposed to custodial risk as discussed below, while $883,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

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

D. Receivables

Receivables at June 30, 2015 consist of amounts due from operations. $423,789 is not expected to be collected within one year and is reported as a non-current asset on the statement of net position.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

E. Long-Term Liabilities

Long-term obligations have been restated as described in Note 3 and reported in the Council's notes to the basic financial statements. The following is a summary of the Council's long-term obligations activity in fiscal year 2015:

	Restated Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated absences	$ 731,929	$ 533,844	$ (358,624)	$ 907,149	$ 483,360
Net pension liability	99,233,515	-	(15,450,760)	83,782,755	-
Total	$ 99,965,444	$ 533,844	$ (15,809,384)	$ 84,689,904	$ 483,360

F. Contingencies

There are currently no matters in litigation with the Council as plaintiff or defendant.

G. Risk Management

General Risk **-** The Council is exposed to various risks of loss related to torts, theft or damage, destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Council maintains coverage consistent with that of the Center. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there has been no significant reduction in coverage from the prior fiscal year.

Workers' Compensation **-** Workers' compensation coverage is provided by the State of Ohio. The Council pays the Bureau of Workers' Compensation a premium based on a rate per $100 of payroll. The rate is calculated based on accident history and administrative costs.

H. Defined Benefit Pension Plans

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

The net pension liability represents the Council'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.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in *due to other governments*.

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Council 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 Council's contractually required contribution to SERS was $2,730,296 for fiscal year 2015. Of this amount $241,111 is reported as due to other governments.

Plan Description - State Teachers Retirement System (STRS) - Plan Description **–**Council licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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 Council was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Council's contractually required contribution to STRS was $3,609,145 for fiscal year 2015. Of this amount $181,271 is reported as due to other governments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 35,103,410	$ 48,679,345	$ 83,782,755
Proportion of the Net Pension Liability	0.69361400%	0.20013330%	
Pension Expense	$ 2,048,518	$ 1,888,299	$ 3,936,817

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

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 298,767	$ 468,644	$ 767,411
Council contributions subsequent to the measurement date	2,730,296	3,609,145	6,339,441
Total Deferred Outflows of Resources	$ 3,029,063	$ 4,077,789	$ 7,106,852
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 5,697,382	$ 9,005,863	$ 14,703,245

$6,339,441 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$ (1,349,654)	$ (2,134,305)	$ (3,483,959)
2017	(1,349,654)	(2,134,305)	(3,483,959)
2018	(1,349,654)	(2,134,305)	(3,483,959)
2019	(1,349,653)	(2,134,304)	(3,483,957)
Total	$ (5,398,615)	$ (8,537,219)	$ (13,935,834)

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.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

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

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

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

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

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

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

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

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Council's proportionate share of the net pension liability	$ 50,082,134	$ 35,103,410	$ 22,505,008

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:

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

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

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

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Council'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 Council'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%)
Council's proportionate share of the net pension liability	$ 69,689,789	$ 48,679,345	$ 30,911,579

I. Postemployment Benefits

School Employees Retirement System - Health Care Plan Description - The Council contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at at www.ohsers.org under Employers/Audit Resources.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Council's surcharge obligation was $328,606.

The Council's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $496,170, $298,139, and $184,031, respectively. 100 percent has been contributed for all three years.

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Council's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were $0, $152,827, and $138,550 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 18 - EDUCATIONAL SERVICE CENTER COUNCIL OF GOVERNMENTS - (Continued)

J. Public Entity Shared Risk Pool

Effective March 1, 2014, the Council is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts and other entities whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. Members pay monthly premiums to the Consortium based on the benefits structure selected and the risk of loss transfers to the Consortium upon payment of these premiums. The Consortium's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 209, Cincinnati, Ohio 45242.

REQUIRED SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	**2013**
Center's proportion of the net pension liability	0.23788900%	0.23788900%
Center's proportionate share of the net pension liability	$ 12,039,427	$ 14,146,495
Center's covered-employee payroll	$ 6,912,590	$ 7,826,640
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	180.75%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Center's measurement date which is the prior fiscal year end.

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2014	**2013**
Center's proportion of the net pension liability	0.16548631%	0.16548631%
Center's proportionate share of the net pension liability	$ 40,251,998	$ 47,947,916
Center's covered-employee payroll	$ 16,908,131	$ 17,757,077
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	270.02%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the Center's measurement date
which is the prior fiscal year end.

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2015	2014	2013	2012
Contractually required contribution	$ 812,920	$ 958,085	$ 1,083,207	$ 1,323,702
Contributions in relation to the contractually required contribution	(812,920)	(958,085)	(1,083,207)	(1,323,702)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 6,167,830	$ 6,912,590	$ 7,826,640	$ 9,841,651
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
$ 1,515,498	$ 1,968,019	$ 1,584,294	$ 1,285,904	$ 1,268,956	$ 1,035,537
(1,515,498)	(1,968,019)	(1,584,294)	(1,285,904)	(1,268,956)	(1,035,537)
$ -	$ -	$ -	$ -	$ -	$ -
$ 12,056,468	$ 14,534,852	$ 16,100,549	$ 13,094,745	$ 11,881,610	$ 9,787,684
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2015	2014	2013	2012
Contractually required contribution	$ 2,600,662	$ 2,198,057	$ 2,308,420	$ 2,313,741
Contributions in relation to the contractually required contribution	(2,600,662)	(2,198,057)	(2,308,420)	(2,313,741)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 18,576,157	$ 16,908,131	$ 17,757,077	$ 17,798,008
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
$ 2,427,563	$ 2,614,519	$ 2,243,845	$ 1,640,667	$ 1,546,632	$ 1,473,812
(2,427,563)	(2,614,519)	(2,243,845)	(1,640,667)	(1,546,632)	(1,473,812)
$ -	$ -	$ -	$ -	$ -	$ -
$ 18,673,562	$ 20,111,685	$ 17,260,346	$ 12,620,515	$ 11,897,169	$ 11,337,015
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

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EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
Rehabilitation Services Demonstration and Training Programs	2014	84.235E	$ 70,628	$ 68,173
Rehabilitation Services Demonstration and Training Programs	2015	84.235E	39,143	45,564
Total Rehabilitation Services Demonstration and Training Programs - Direct			109,771	113,737
Passed Through the Ohio Department of Education:				
Special Education - Grants to States	2014	84.027	474,262	339,731
Special Education - Grants to States	2015	84.027	2,326,062	2,405,038
Special Education - Preschool Grants	2014	84.173	9,058	6,992
Special Education - Preschool Grants	2015	84.173	65,547	87,905
Total Special Education Cluster			2,874,929	2,839,666
Twenty-First Century Community Learning Centers	2014	84.287	60,628	37,447
Twenty-First Century Community Learning Centers	2015	84.287	179,860	193,907
Total Twenty-First Century Community Learning Centers			240,488	231,354
English Language Acquisition Grants	2014	84.365	16,825	9,105
English Language Acquisition Grants	2015	84.365	25,327	29,587
Total English Language Acquisition Grants			42,152	38,692
Improving Teacher Quality State Grants	2014	84.367	11,426	9,893
Improving Teacher Quality State Grants	2015	84.367	143,752	179,612
Total Improving Teacher Quality State Grants			155,178	189,505
ARRA-State Fiscal Stabilization Fund-Race to the Top	2014	84.395	727,837	580,309
ARRA-State Fiscal Stabilization Fund-Race to the Top	2015	84.395	589,025	679,770
Total Race to the Top Grants			1,316,862	1,260,079
Early Learning Challenge	2014	84.412	4,336	4,335
Early Learning Challenge	2015	84.412	53,518	61,325
Total Early Learning Challenge			57,854	65,660
Total Passed Through the Ohio Department of Education			4,687,463	4,624,956
Passed Through Ohio Department of Health:				
Special Education - Grants for Infants and Families with Disabilities, (Help Me Grow, Part C)	2015	84.181	1,096,335	1,096,335
TOTAL U.S. DEPARTMENT OF EDUCATION			**5,893,569**	**5,835,028**
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Passed Through Ohio Commission on Service and Volunteerism:				
AmeriCorps	2014	94.006	215,118	95,533
AmeriCorps	2015	94.006	639,554	645,392
Total AmeriCorps			854,672	740,925
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			**854,672**	**740,925**

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Ohio Department of Job & Family Services:				
Refugee and Entrant Assistance Discretionary Grants	2014	93.576	148,113	148,113
Refugee and Entrant Assistance Discretionary Grants	2015	93.576	42,645	42,645
Total Refugee and Entrant Assistance Discretionary Grants			190,758	190,758
Social Services Block Grant	2014	93.667	11,028	236
Temporary Assistance for Needy Families	2015	93.558	7,927	18,329
Total Passed through the Ohio Department of Job & Family Services			209,713	209,323
Passed through the Ohio Department of Mental Health and Addiction Services:				
Family-Centered Services and Supports	2014	93.556	1	1
Family-Centered Services and Supports	2015	93.556	180,628	180,628
Total Family-Centered Services and Supports			180,629	180,629
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	2015	93.243	71,400	-
Total Passed through the Ohio Department of Mental Health and Addiction Services			252,029	180,629
Passed through the Ohio Department of Developmental Disabilities:				
Maternal and Child Health Federal Consolidated Programs	2014	93.110	42,790	10,173
Maternal and Child Health Federal Consolidated Programs	2015	93.110	7,532	7,532
Total Maternal and Child Health Federal Consolidated Programs			50,322	17,705
Developmental Disabilities Basic Support and Advocacy Grants	2015	93.630	49,945	55,945
Total Passed through the Ohio Department of Developmental Disabilities			100,267	73,650
Passed Through the Ohio Department of Health:				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	2015	93.505	11,800	11,800
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**573,809**	**475,402**
U.S. DEPARTMENT OF JUSTICE				
Passed Through the Ohio Department of Youth Services				
Juvenile Justice and Delinquency Prevention_Allocation to States	2015	16.540	7,250	7,250
TOTAL U.S. DEPARTMENT OF JUSTICE			**7,250**	**7,250**
TOTALS			**$ 7,329,300**	**$ 7,058,605**

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

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN 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 Center's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUBRECIPIENTS

The Center passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the Center reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Center has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C – MATCHING REQUIREMENTS

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

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

Educational Service Center of Central Ohio
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Educational Service Center of Central Ohio, Franklin County, (the Center) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 22, 2015 wherein we noted the Center adopted GASB Statement No. 68 and 71.

Internal Control Over Financial Reporting

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

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

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

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CERTIFIED PUBLIC ACCOUNTANTS
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Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 22, 2015

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

Educational Service Center of Central Ohio
Franklin County
2080 Citygate Drive
Columbus, Ohio 43219

To the Board of Directors:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the Educational Service Center of Central 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 fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 22, 2015

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Program (list):**	Special Education Cluster/ CFDA #84.027 and #84.173 Race to the Top – ARRA/ CFDA #84.395
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

Dave Yost • Auditor of State

EDUCATIONAL SERVICE CENTER OF CENTRAL OHIO

FRANKLIN 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
MARCH 1, 2016

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