



Dave Yost • Auditor of State



**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY  
JUNE 30, 2016 AND 2015**

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**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY  
JUNE 30, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Clark County Educational Service Center  
Clark County  
25 West Pleasant Street  
Springfield, Ohio 45506

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Clark County Educational Service Center, Clark County, Ohio (the Center), as of and for the fiscal years ended June 30, 2016 and 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Clark County Educational Service Center, Clark County, Ohio, as of June 30, 2016 and 2015, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 18 to the 2015 financial statements, during the fiscal year ended June 30, 2015, the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund present additional analysis and are not a required part of the basic 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, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, 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.

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

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

June 9, 2017

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# CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016 (Unaudited)

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The discussion and analysis of the Clark County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

### Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

#### *Overall:*

- Total net position increased \$565,251 which represents a 6.5 percent increase from the net position reported at June 30, 2015.
- Total assets and deferred outflows of resources of governmental activities increased \$163,933 primarily to the increase in cash and investments reported at June 30, 2016 and the increase in outflows related to pension compared with that reported for the prior year. This increase was offset by a decrease in accounts receivable totaling \$332,805 mainly due to the timing of the charges for services billed prior to year end and received thereafter.
- Total liabilities and deferred inflows of resources decreased by \$401,318 in total or 3.4 percent. This is mainly due to the \$1,619,315 decrease in the net pension liability reported at June 30, 2016.
- Program revenues, in the form of charges for services and operating grants and contributions, accounted for \$3.8 million or 78.3 percent of total revenue. General revenue sources, primarily state foundation payments, accounted for the remaining \$1,043,705 of revenue received by the Educational Service Center.
- Of the Educational Service Center's \$4.2 million in expenses, \$3.8 million were offset by program specific charges for services, grants or contributions. General revenues (primarily entitlements and interest) were used to cover the net expense of approximately \$478,454.
- The General Fund, the Educational Service Center's operating fund, had an ending fund balance of \$1.2 million or a \$156,152 decrease from fiscal year 2015. The amount reported as restricted for specific purposes in the general fund decreased by \$13,491 from the amount reported one year prior due to an decrease in the amount of funding held at year-end related to miscellaneous local grant programs.

### Using the Basic Financial Statements

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

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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

### **Reporting the Educational Service Center as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net position and changes in that position. The change in net position is important because allows the reader to determine if the financial position of the Educational Service Center, as a whole, has either improved or diminished during the current fiscal year. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Educational Service Center's state funding, office space issues, and legislative decisions related to service delivery as well as organization of county service centers in the future.

In the Statement of Net Position and the Statement of Activities, the Educational Service Center reports governmental activities. Governmental activities are the activities where all of the Educational Service Center's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant and pupil transportation. The Educational Service Center does not have any business-type activities.

### **Reporting the Educational Service Center's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the Educational Service Center's major funds begins after the Statement of Activities. Fund financial reports provide detailed information about the General Fund. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds, and therefore only the major fund is presented separate from the other governmental funds.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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Governmental Funds

The Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps 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 financial statements.

**The Educational Service Center as a Whole**

Recall that the Statement of Net Position provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position for 2016 compared to 2015:

TABLE 1  
NET POSITION

	<u>2016</u>	<u>2015</u>
<i>Assets</i>		
Current and Other Assets	\$ 2,196,695	\$ 2,274,075
Capital Assets	<u>317,630</u>	<u>344,643</u>
Total Assets	<u>2,514,325</u>	<u>2,618,718</u>
<i>Deferred Outflows of Resources:</i>		
Pension	<u>776,550</u>	<u>508,224</u>
Total Deferred Outflows of Resources:	<u>776,550</u>	<u>508,224</u>
<i>Liabilities:</i>		
Current Liabilities	1,011,462	936,340
Long-term Liabilities:		
Net Pension Liability	7,544,179	9,163,494
Other Long-Term Liabilities	<u>77,515</u>	<u>72,212</u>
Total Liabilities	<u>8,633,156</u>	<u>10,172,046</u>
<i>Deferred Inflows of Resources:</i>		
Rppulqp	<u>2,779,292</u>	<u>1,641,720</u>
Total Deferred Inflows of Resources:	<u>2,779,292</u>	<u>1,641,720</u>
<i>Net Position:</i>		
Net investment in capital assets	317,630	344,643
Restricted	388,059	397,901
Unrestricted	<u>(8,827,262)</u>	<u>(9,429,368)</u>
Total Net Position	<u>\$ (8,121,573)</u>	<u>\$ (8,686,824)</u>

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016 (Unaudited)

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In prior year, the Educational Service Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Educational Service 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 Educational Service 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 Educational Service 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.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

In accordance with GASB 68, the Educational Service 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.

The amount by which the Educational Service Center's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2016, the Educational Service Center's total net position was \$(8.1) million. Of that amount, approximately \$317,630 was the net investment in capital assets, and \$388,059 was subject to external restrictions upon its use. The remaining deficit of \$(8.8) million resulted from the Educational Service Center's reporting its proportion share of net pension liability.

Table 2 shows the changes in net position for fiscal year 2016 compared with the changes in net position reported for the prior fiscal year.

TABLE 2  
CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services	\$ 3,716,024	\$ 3,151,735
Operating Grants & Contributions	40,370	39,699
General Revenues:		
Grants & Entitlements	670,765	734,719
Other	<u>372,940</u>	<u>243,061</u>
Total Revenues	<u>4,800,099</u>	<u>4,169,214</u>
<i>Program Expenses:</i>		
Instruction	774,895	1,048,477
Support Services:		
Pupils and Instructional Staff	2,825,846	2,574,186
Board of Education, Administration, Fiscal and Business	473,742	718,130
Plant Operation and Maintenance	136,144	82,089
Central	<u>24,221</u>	<u>11,323</u>
Total Expenses	<u>4,234,848</u>	<u>4,434,205</u>
Change in Net Position	565,251	(264,991)
Beginning Net Position	<u>(8,686,824)</u>	<u>(8,421,833)</u>
Ending Net Position	<u>\$ (8,121,573)</u>	<u>\$ (8,686,824)</u>

The Educational Service Center is funded through numerous means. The major components are tuition and fees, charges for services and intergovernmental (foundation). Total revenues reported for fiscal year 2016 increased by \$630,885 or 15.1% from prior year, which is mainly due to the increase in charges for services related to shared services that the Center provides in addition to a slight increase in operating grants and contributions from prior year. The Educational Service Center provides various services to the six local school districts that it serves. In addition, certain services are also provided to the Springfield City School District through a contractual agreement with the Educational Service Center.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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Management continues to make conscientious efforts to limit operating expenses while maintaining the level of service and quality of programs which are required by the local school districts it serves. Total expenses reported for fiscal year 2016 decreased by \$199,357, or 4.5 percent, from those reported for the prior year. The decrease in expenses and increase in revenues resulted in a change of net position of \$565,251 as of June 30, 2016, compared to a decrease in net position of \$264,991 in prior fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services for fiscal years 2016 and 2015.

TABLE 3  
NET (EXPENSE) REVENUE OF SERVICE

	<u>2016</u>	<u>2015</u>
Instruction	\$ 49,439	\$ (225,295)
Support Services:		
Pupils and Instructional Staff	104,414	(207,734)
Board of Education, Administration, Fiscal and Business	(471,942)	(716,330)
Plant Operation and Maintenance	(136,144)	(82,089)
Central	<u>(24,221)</u>	<u>(11,323)</u>
Total Net Cost of Service	<u>\$ (478,454)</u>	<u>\$ (1,242,771)</u>

The majority of the services offered by the Educational Service Center are classified as special education programs and instructional support services. Therefore a significant portion of the charges for services (tuition and fees) charged to member districts are reported as program revenue associated with these particular functions of expenses. It should be noted, that while some programs are classified as special education instruction, the majority of the expenses related to these program (primarily personnel costs) are for pupil and instructional support personnel and are therefore reported in the support services categories. Member districts are charged for services and tuition in two different manners, through direct billing from the Educational Service Center and through deduction from their State funding provided through the Foundation Program. Intergovernmental grants restricted to educational programs also provide revenue which can be directly related to these expense categories.

The remaining expense categories are used to capture costs related to the general operation and management of the Educational Service Center. As there are very few revenue sources which are directly related to these expense categories, they are almost entirely financed through general revenues (state foundation funding, interest earnings and other miscellaneous revenue). Depreciation expense is charged to the function utilizing the corresponding capital asset.

In general, Table 3 indicates approximately 88.8 percent of the expenses of the Educational Service Center are funded through charges for services, tuition, and operating grants and contributions; the remaining 11.2 percent is funded through general revenues, including state foundation and interest earnings.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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### **The Educational Service Center's Funds**

The Educational Service Center reports one major fund, the General Fund. All funds are classified as governmental funds and are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4.8 million and expenditures of \$5.0 million. The net decrease in fund balance of \$152,502 resulted in an overall fund balance of \$1,185,233 for all governmental funds, of which \$1,173,448 was reported in the General Fund. Included in the General Fund's ending fund balance, \$376,277 was restricted for various purposes and another \$200,363 has been assigned for specific purposes. The remaining \$596,808 of the General Fund's ending fund balance was unassigned and is available for future appropriations as deemed appropriate by the Governing Board. The ending unassigned fund balance reported for the General Fund at year-end represents 6.0 percent of the total General Fund expenditures reported for the year.

### **Capital Assets**

At June 30, 2016 the capital assets of the Educational Service Center consisted of \$476,000 of buildings and improvements, \$161,956 of furniture and equipment, with accumulated depreciation of \$320,326, resulting in net capital assets of \$317,630. The overall \$27,013 decrease in total net capital assets is due to the Center disposing of a van that had a cost of \$21,980 and accumulated depreciation of \$19,782. Additionally, the Center had a total of \$24,815 in depreciation expense for the year.

See Note 6 of the notes to the basic financial statements for additional information on the Educational Service Center's capital assets.

### **Debt Administration**

The Educational Service Center had no outstanding debt as of June 30, 2016.

### **Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Clark County Educational Service Center, 25 West Pleasant Street, Springfield, OH 45506 or call (937) 325-7671.



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**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>ASSETS:</b>	
Equity in Pooled Cash and Investments	\$ 1,812,076
Restricted Cash and Investments - current	376,277
Accounts Receivable	8,342
Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	317,630
Total Assets	2,514,325
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension	776,550
Total Deferred Outflows of Resources	776,550
<b>LIABILITIES:</b>	
Accounts Payable	7,441
Accrued Wages and Benefits	510,521
Intergovernmental Payable	487,729
Matured Compensated Absences	5,771
Noncurrent Liabilities:	
Due Within One Year	8,527
Due In More Than One Year	
Net Pension Liability	7,544,179
Other Amounts Due in More than One Year	68,988
Total Liabilities	8,633,156
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension	2,779,292
Total Deferred Inflows of Resources	2,779,292
<b>NET POSITION:</b>	
Net investment in capital assets	317,630
Restricted for:	
Specific Educational Programs	11,782
State Mandates	376,277
Unrestricted	(8,827,262)
Total Net Position	\$ (8,121,573)

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

**CLARK COUNTY, OHIO**

Statement of Activities

For the Fiscal Year Ended June 30, 2016

<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenue and Changes in Net Position
				<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 14,298	70,138	-	55,840
Special	686,574	754,196	-	67,622
Vocational	10,299			(10,299)
Student Intervention Services	63,724	-	-	(63,724)
Support Services:				
Pupils	2,314,985	2,369,290	-	54,305
Instructional Staff	510,861	522,400	38,570	50,109
Board of Education	13,558	-	-	(13,558)
Administration	358,149		1,800	(356,349)
Fiscal	94,657	-	-	(94,657)
Business	7,378	-	-	(7,378)
Operation and Maintenance				
of Plant	136,144	-	-	(136,144)
Central	<u>24,221</u>	<u>-</u>	<u>-</u>	<u>(24,221)</u>
Total	\$ <u>4,234,848</u>	<u>3,716,024</u>	<u>40,370</u>	<u>(478,454)</u>
General Revenues:				
Grants, Entitlements and Contributions not Restricted to Specific Programs				670,765
Investment Earnings				3,409
Miscellaneous				<u>369,531</u>
			Total General Revenues	<u>1,043,705</u>
			Change in Net Position	565,251
			Net Position, Beginning of Year	<u>(8,686,824)</u>
			Net Position, End of Year	\$ <u>(8,121,573)</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Equity in Pooled Cash and Investments	\$ 1,800,291	\$ 11,785	\$ 1,812,076
Restricted Cash and Investments - current	376,277	-	376,277
Receivables:			
Accounts	8,342	-	8,342
 Total Assets	 <u>\$ 2,184,910</u>	 <u>\$ 11,785</u>	 <u>\$ 2,196,695</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 7,441	\$ -	\$ 7,441
Accrued Wages and Benefits	510,521	-	510,521
Intergovernmental Payable	487,729	-	487,729
Interfund Payable	-	-	-
Matured Compensated Absences	5,771	-	5,771
 Total Liabilities	 <u>1,011,462</u>	 <u>-</u>	 <u>1,011,462</u>
<b>FUND BALANCES:</b>			
Restricted for:			
Local Grant Programs	-	6,382	6,382
State and Federal Grant Programs	-	5,403	5,403
State Mandates	376,277	-	376,277
Assigned for:			
Subsequent Expenditures	51,614	-	51,614
Future Occupancy Cost	118,047	-	118,047
Future Severance Cost	30,702	-	30,702
Unassigned	596,808	-	596,808
 Total Fund Balances	 <u>1,173,448</u>	 <u>11,785</u>	 <u>1,185,233</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,184,910</u>	 <u>\$ 11,785</u>	 <u>\$ 2,196,695</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2016

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Total Governmental Fund Balances	\$ 1,185,233
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	317,630
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	776,550
Deferred Inflows - Pension	(2,779,292)
Net Pension Liability	(7,544,179)
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	<u>(77,515)</u>
Net Position of Governmental Activities	<u>\$ (8,121,573)</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ 670,755	\$ 40,379	\$ 711,134
Tuition and Fees	70,138	-	70,138
Charges for Services	3,641,387	-	3,641,387
Interest	3,409	-	3,409
Miscellaneous	<u>372,181</u>	<u>1,850</u>	<u>374,031</u>
Total Revenues	<u>4,757,870</u>	<u>42,229</u>	<u>4,800,099</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	14,298	-	14,298
Special	817,321	38,579	855,900
Other	83,605	-	83,605
Support Services:			
Pupils	2,520,474	-	2,520,474
Instructional Staff	559,621	-	559,621
Board of Education	13,558	-	13,558
Administration	476,488	-	476,488
Fiscal	223,026	-	223,026
Business	7,378	-	7,378
Operation and Maintenance of Plant	134,964	-	134,964
Central	<u>63,289</u>	<u>-</u>	<u>63,289</u>
Total Expenditures	<u>4,914,022</u>	<u>38,579</u>	<u>4,952,601</u>
Net Change in Fund Balances	(156,152)	3,650	(152,502)
Fund Balance, Beginning of Year	<u>1,329,600</u>	<u>8,135</u>	<u>1,337,735</u>
Fund Balance, End of Year	<u>\$ 1,173,448</u>	<u>\$ 11,785</u>	<u>\$ 1,185,233</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK 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, 2016

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Total Net Change in Fund Balances - Total Governmental Funds	\$ (152,502)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Current year depreciation	(24,815)
Carrying amount of current year disposals	(2,198)
Long-term compensated absences are reported as expenses in the statement of activities; however, as these long-term obligations payable do not require the use of current financial resources, they are not reported as expenditures in the governmental funds.	(5,305)
Contractually required contributions are reported as expenditures in governmental funds however, the statement of activities reports these amounts as deferred outflows.	466,192
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>283,879</u>
Change in Net Position of Governmental Activities	<u><u>\$ 565,251</u></u>

See accompanying notes to the basic financial statements.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### **NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY**

The Clark County Educational Service Center (the Educational Service Center) is located in Springfield, Ohio, the county seat. The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services by state and federal agencies. The Board controls the Educational Service Center which provides various services to the staff and students of the six local school districts within Clark County.

The Educational Service Center was established in 1914 in response to recommendations from the Ohio State School Survey Commission. Senate Bill 9, passed on February 4, 1914, provided for the standardization of schools and established the county educational service centers.

Since 1914, county superintendents have been involved in various areas of administration and performed many services, which include, but are not limited to the following: cooperative programs, supervision, liaison between local school districts and the Ohio Department of Education, health insurance programs, and special education services. Many of those services have been initiated by the county office of education without being legislatively mandated.

The Educational Service Center consists of five elected board members, a superintendent, a treasurer, and employees. The Clark County Educational Service Center is a school district that was chartered July 21, 1989 by the State Board of Elections.

The Educational Service Center serves six local school districts: Greenon Local, Northeastern Local, Northwestern Local, Southeastern Local, Clark-Shawnee Local and Tecumseh Local. It also works with the Springfield-Clark County Career Technology Center in the areas of in-service of administrators. Springfield City Schools and the Educational Service Center have entered into a city/county agreement to provide services in designated areas.

Under Senate Bill 140, county educational service centers are required to appoint business advisory councils. The Educational Service Center has appointed a Business Advisory Council, which is strictly voluntary on the part of the members. There is no financial responsibility of the Educational Service Center for this council. The Business Advisory Council has evolved and merged with the Aspire P-16 Council to promote education from preschool through college/technical school. This consolidated group then joined with the Clark County Chamber of Commerce's "Moving Forward Student Achievement Committee" as many business groups were involved in both committees with the same goals of the best education for all students of Clark County that will be the future of this County's workforce.

#### **Reporting Entity**

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

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing body and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations for which the Educational Service Center approves the budget, the issuance of debt or the levying of taxes. The Educational Service Center does not have any component units.

The Educational Service Center is associated with five jointly governed organizations and three insurance purchasing pools. These organizations include the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative, the Clark County Family and Children First Council, the Springfield-Clark County Career Technology Center, Southwestern Ohio Instructional Technology Association, the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 12 and 13 to the basic financial statements

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***A. Basis Of Presentation***

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

#### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and 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 requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the



## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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general revenues of the Educational Service Center.

### Fund Financial Statements

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

### ***B. Fund Accounting***

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All of the Educational Service Center's funds are classified as governmental funds.

### Governmental Funds

Governmental funds focus 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 versus liabilities and deferred inflows of resources is reported as fund balance. The Educational Service Center's major fund is:

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

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

### ***C. Measurement Focus***

### Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Educational Service Center are included on the Statement of Net position.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### Fund Financial Statements

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

#### ***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. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

#### *Revenues – Exchange and Non-exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, 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 Educational Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed to be both measurable and available: tuition and fees, intergovernmental grants, and charges for services.

#### *Deferred Outflows/Inflows of Resources:*

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. A deferred outflow 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 Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension amounts which are explained further in Note 8.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the Educational Service Center, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 8.

*Expenses/Expenditures:*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be paid out as a result of employment, retirement or termination rather than in the period earned by the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized on the government-wide financial statements recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

***E. Cash and Investments***

To improve cash management, cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are pooled in this account. Individual fund integrity is maintained through the Educational Service Center's records. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Investments".

During fiscal year 2016, the Educational Service Center's investments were limited to funds invested in the State Treasury Assets Reserves of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants". The Educational Service Center measures their investments in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2016, there were no limitations on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, 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 2016 amounted to \$3,409 which includes \$66 assigned from other Educational Service Center funds.

For presentation on the statement of net position and the governmental fund's balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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***F. Estimates***

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

***G. Capital Assets and Depreciation***

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net position but are not reported in the fund statements.

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

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

Description	Estimated Lives
Buildings and Improvements	10 – 40 years
Equipment	5 – 15 years
Vehicles	8 years

***H. Compensated Absences***

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

A liability for sick leave is accrued using the vesting method which states that the Educational Service Center will estimate its liability based on sick leave accumulated at the end of the fiscal year by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated sick leave for all employees after ten years of current service with the Educational Service Center.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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***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, principal payments on capital leases and compensated absences liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured and are due for payment.

***J. Pensions***

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

***K. Net Position***

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

***L. Fund Balance***

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

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

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

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Committed – committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center’s governing board. 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 Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended use established by the Educational Service Center’s governing board.

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

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. For the year ended June 30, 2016, the Educational Service Center did not report any fund balances meeting the definition of nonspendable or committed.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes require the classification of monies held by the Educational Service 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 School Treasury, in depository accounts payable, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Educational Service Center has identified as not required for use with the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as 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 the certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the Educational Service 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 money deposited with the institution.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Interim monies may be invested in the following obligations:

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;

Bonds, notes, debentures, or 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 governmental agencies or instrumentalities;

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;

Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio);

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Educational Service Center's deposits may not be returned to it. Protection of the Educational Service Center's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$1,534,374 and the bank balance was \$1,647,326. Of the bank balance \$751,388 was covered by federal deposit insurance and the remaining \$895,938 was exposed to custodial credit risk as it was collateralized with pooled securities held by a trustee of the pledging institution.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Investments

The Educational Service Center's only investment at June 30, 2016 was in STAR Ohio, an investment pool operated by the Ohio State Treasurer. STAR Ohio is an uninsured and uncollateralized investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$653,979 at June 30, 2016 and was rated AAAM by Standard and Poors'.

**NOTE 4 – STATE FUNDING**

The Educational Service 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 Educational Service Center provides 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 Educational Service Center. For fiscal year 2016 the funding for educational service centers was \$27.00 per student.

If additional funding is needed, and if a majority of the Boards of Educations of the school districts served by the Educational Service 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 Educational Service Center through additional reductions in their resources provided through the State Foundation program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2016, consisted of amounts due from school districts for services provided. All receivables are considered collectible in full and as of June 30, 2016 and totaled \$8,342.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Increase	Decrease	Balance 6/30/2016
<b><u>Capital Assets, being depreciated</u></b>				
Buildings and Improvements	\$ 476,000	\$ -	\$ -	\$ 476,000
Furniture and Equipment	161,956	-	-	161,956
Vehicles	21,980	-	21,980	-
	<u>659,936</u>	<u>-</u>	<u>21,980</u>	<u>637,956</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings and Improvements	152,320	19,040	-	171,360
Furniture and Equipment	143,191	5,775	-	148,966
Vehicles	19,782	-	19,782	-
	<u>315,293</u>	<u>24,815</u> *	<u>19,782</u>	<u>320,326</u>
Governmental Activities Capital Assets, Net	<u>\$ 344,643</u>	<u>\$ (24,815)</u>	<u>\$ 2,198</u>	<u>\$ 317,630</u>

\* - Depreciation expense was charged to governmental functions as follows:

Instruction:		
Special	\$	180
Support Services:		
Pupil Support		482
Administration		3,690
Operation & Maintenance of Plant		20,463
Total Depreciation Expense	\$	<u>24,815</u>

**NOTE 7 - RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2016, the Educational Service Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a member-owned insurance consortium pool. Each individual school district pays annual premiums determined by SORSA to be sufficient to provide for anticipated claims (See Note 13). SORSA utilizes commercial insurance companies to provide reinsurance coverage for all claims exceeding \$100,000 for property and automobile physical damage coverage and \$250,000 for third-party liability coverage. For equipment breakdown coverage SORSA reinsures 100 percent of this exposure and does not retain any level of self-insurance. There is no deductible for most claims.

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Insurance coverage provided includes the following:

Fleet Liability	\$15,000,000
Auto Medical Payments	10,000/25,000
Uninsured Motorists	1,000,000
Education General Liability:	
Each Occurrence	15,000,000
Personal and Advertising Injury Limit – Each Offense	15,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000/25,000
General Aggregate Limit	17,000,000
Products – Completed Operations Limit	15,000,000
Employee Benefits Liability:	
Each Offense	15,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	15,000,000
Disease-Each Employee	15,000,000

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

**B. Workers' Compensation**

For fiscal year 2016, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The plan is intended to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2016, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

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### **NOTE 8 – 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 Educational Service 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 Educational Service Center’s obligation for this liability to annually required payments. The Educational Service Center cannot control benefit terms or the manner in which pensions are financed; however, the Educational Service Center does receive the benefit of employees’ services in exchange for compensation including pension.

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

#### ***Plan Description - School Employees Retirement System (SERS)***

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

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to 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, 2016, the entire employer contribution was allocated to pension, death benefits, and Medicare B.

The Educational Service Center’s contractually required contribution to SERS was \$76,010 for fiscal year 2016; \$14,375 of contributions is reported within intergovernmental payable at June 30, 2016.

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

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

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

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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.

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, 2015, and was increased one percent again on July 1, 2016, to reach statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS was \$390,182 for fiscal year 2016; \$70,622 of contributions is reported within intergovernmental payable at June 30, 2016.

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***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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,138,248	\$ 6,405,931	\$ 7,544,179
Proportion of the net pension liability	0.0199479%	0.02317876%	
Pension expense	\$ (300,079)	\$ 16,200	\$ (283,879)

At June 30, 2016, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 18,328	\$ 292,030	\$ 310,358
Center's contributions subsequent to the measurement date	<u>76,010</u>	<u>390,182</u>	<u>466,192</u>
Total deferred outflows	<u>\$ 94,338</u>	<u>\$ 682,212</u>	<u>\$ 776,550</u>
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 37,714	\$ 460,708	\$ 498,422
Change in Center's proportionate share	<u>1,180,484</u>	<u>1,100,386</u>	<u>2,280,870</u>
Total deferred inflows	<u>\$ 1,218,198</u>	<u>\$ 1,561,094</u>	<u>\$ 2,779,292</u>

\$466,192 reported as deferred outflows of resources related to pension resulting from contributions made by the Educational Service Center subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (390,847)	\$ (379,062)	\$ (769,909)
2018	(390,847)	(379,062)	(769,909)
2019	(390,934)	(379,062)	(769,996)
2020	<u>(27,242)</u>	<u>(131,878)</u>	<u>(159,120)</u>
	<u>\$ (1,199,870)</u>	<u>\$ (1,269,064)</u>	<u>\$ (2,468,934)</u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, 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 of net investments expense, including inflation
Actuarial cost method	Entry Age Normal



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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

**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 Educational Service 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Educational Service Center's proportionate share of the net pension liability	\$ 1,578,339	\$ 1,138,248	\$ 767,652



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***Changes Between Measurement Date and Report Date*** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Educational Service Center’s net pension liability is expected to be significant.

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Future 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, 2015, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00%</u>	3.00%
Total	<u>100.00%</u>	

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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Educational Service 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 Educational Service 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%)
Educational Service Center's proportionate share of the net pension liability	\$ 8,898,322	\$ 6,405,931	\$ 4,298,244

**NOTE 9 – POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

**Plan Description** – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

**Fund Policy** – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, none of the employer contributions were allocated to health care. Contributions to the Health Care Plan were limited to the surcharge assessed for employees earning less than an actuarially determined amount; for 2016, this amount was \$7,718 for the Educational Service Center.

Active members do not make contributions to the postemployment benefit 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.

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The Educational Service Center's allocated contributions to the health care fund for the years ended June 30, 2016, 2015 and 2014 were \$7,718, \$12,845, and \$14,971 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016 and 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal year ended June 30, 2014 were \$30,254; which equaled the required contributions for that year.

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave benefits are derived from Board policy and State laws. All twelve month certified employees earn twenty days of vacation per fiscal year, eleven month certified employees earn fifteen days of vacation per fiscal year and ten month certified employees earn ten days of vacation per fiscal year. Certified employees working less than ten months do not earn vacation time.

Support staff employees earn ten days of vacation after one year of service; after eight years of service they earn fifteen days of vacation; with fifteen years of service they earn twenty days of vacation and after twenty-five years of service they earn twenty-five days of vacation per year. Accumulated, unused vacation must be used by December of the fiscal year following the fiscal year in which it is earned.

All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract in which it is earned.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fifth of accrued, but unused sick leave credit to a maximum of 45 days for all employees. Directors with two years experience with the Educational Service Center are eligible to be paid a maximum of 56 days of unused sick leave upon retirement.

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**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. Medical/surgical benefits are provided by United Health Care through Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (See Note 13). The employees' are required to contribute 20 percent of the premiums for medical/surgical benefits.

**C. Pick-Up of Employees' Share of Retirement**

The Educational Service Center contributes 14 percent of the employee wages to the State Teachers' Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS). The remaining 10 percent for SERS and 13 percent for STRS is paid by the employee with the exception of fully paid retirement for the Superintendent, Treasurer, and selected administrators as defined by their respective contracts.

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2016 were as follows:

	<u>Balance</u> <u>7/1/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Due within</u> <u>One Year</u>
Net Pension Liability:					
STRS	\$ 6,804,082	\$ -	\$ 398,151	\$ 6,405,931	\$ -
SERS	<u>2,359,412</u>	<u>-</u>	<u>1,221,164</u>	<u>1,138,248</u>	<u>-</u>
	9,163,494	-	1,619,315	7,544,179	-
Compensated Absences	<u>\$ 72,212</u>	<u>7,949</u>	<u>2,646</u>	<u>77,515</u>	<u>\$ 8,527</u>
Total Long-Term Obligations	<u>\$ 9,235,706</u>	<u>\$ 7,949</u>	<u>\$ 1,621,961</u>	<u>\$ 7,621,694</u>	<u>\$ 8,527</u>

Compensated absences and pension contributions will be paid from the funds from which the employees' salaries are paid.

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

*Miami Valley Educational Computer Association*

The Educational Service Center is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$13,181 for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### *Southwestern Ohio Educational Purchasing Cooperative*

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the Educational Service Center paid \$300 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

### *Clark County Family and Children First Council*

The Clark County Family and Children First Council (the Council) is a voluntary association established to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of each of the members of the Council. The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Road, Springfield, Ohio 45503.

### *Springfield-Clark County Career Technology Center*

The Springfield-Clark County Career Technology Center (the Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Educational Service Center. One member is appointed from the Springfield City School District. To obtain financial information, write to the Springfield-Clark County Career Technology Center, Steven Clark, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4329.

### *Southwestern Ohio Instructional Technology Association*

The Southwestern Ohio Instructional Technology Association (SOITA) is a non-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The Educational Service Center made no contributions to SOITA during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as the Interim Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

**NOTE 13 – INSURANCE POOLS**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Council Medical Benefits Plan*

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

*Schools of Ohio Risk Sharing Authority*

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA) a risk sharing insurance pool. The pool consists of seventy-six school districts and educational services centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery and public official liability coverage. The Educational Service Center pays an annual premium to SORSA for this coverage. There is no deductible associated with claims for all types of coverage. The self-insured retention by SORSA is \$100,000 for property and automobile physical damage and \$250,000 for third-party liability. Reinsurance is purchased to cover claims exceeding these amounts and for all claims related to equipment breakdown coverage.

**NOTE 14 - CONTINGENCIES**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2016.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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**NOTE 15 – COMMITMENTS**

At year end the Educational Service Center had a total of \$51,614 encumbered for future purchase obligations, all within the General Fund.

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2016, the Center implemented the Governmental Accounting Standards Board (GASB) Statements No. 72, “Fair Value Measurement and Application”; No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”; and No. 79, “Certain External Investment Pools and Pool Participants”. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments, as well as requiring certain disclosures related to all fair value measurements be presented with the financial statement. GASB Statement No. 76 elevates GASB Implementation Guides in the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP. GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The Educational Service Center participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The Educational Service Center incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

It should also be noted that in June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The Center has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements.

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**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY, OHIO**

Schedule of the Center's Proportionate Share of the Net Pension Liability  
Last Three Measurement Years (1)

	2015	2014	2013
<b><u>School Employees Retirement System of Ohio:</u></b>			
Center's Proportion of the Net Pension Liability	0.0199479%	0.0466200%	0.0466200%
Center's Proportionate Share of the Net Pension Liability	\$ 1,138,248	\$ 2,359,412	\$ 2,772,342
Center's Covered-Employee Payroll	\$ 637,898	\$ 1,368,362	\$ 1,318,548
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	178.44%	172.43%	210.26%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<b><u>State Teachers Retirement System of Ohio:</u></b>			
Center's Proportion of the Net Pension Liability	0.02317876%	0.02797333%	0.02797333%
Center's Proportionate Share of the Net Pension Liability	\$ 6,405,931	\$ 6,804,082	\$ 8,104,978
Center's Covered-Employee Payroll	\$ 2,418,314	\$ 3,077,962	\$ 3,497,815
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	264.89%	221.06%	231.72%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available. The Center will continue to present information for years available until a full ten-year trend is presented.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Schedule of the Center's Contributions  
Last Six Fiscal Years (1)

	2016	2015	2014	2013	2012	2011
<b><u>School Employees Retirement System of Ohio:</u></b>						
Contractually Required Contribution	\$ 76,010	\$ 84,075	\$ 189,655	\$ 182,487	\$ 167,235	\$ 164,014
Contributions in Relation to the Contractually Required Contributions	<u>(76,010)</u>	<u>(84,075)</u>	<u>(189,655)</u>	<u>(182,487)</u>	<u>(167,235)</u>	<u>(164,014)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center Covered-Employee Payroll	\$ 542,929	\$ 637,898	\$ 1,368,362	\$ 1,318,548	\$ 1,243,383	\$ 1,304,805
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
<b><u>State Teachers Retirement System of Ohio:</u></b>						
Contractually Required Contribution	\$ 390,182	\$ 338,564	\$ 400,135	\$ 454,716	\$ 384,288	\$ 355,477
Contributions in Relation to the Contractually Required Contributions	<u>(390,182)</u>	<u>(338,564)</u>	<u>(400,135)</u>	<u>(454,716)</u>	<u>(384,288)</u>	<u>(355,477)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center Covered-Employee Payroll	\$ 2,787,014	\$ 2,418,314	\$ 3,077,962	\$ 3,497,815	\$ 2,956,062	\$ 2,734,438
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to 2011 is not available. The Center will continue to present information for years available until a full ten-year trend is presented.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Non-GAAP) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>				
Tuition and Fees			\$ 70,138	
Intergovernmental			670,755	
Charges for Services			3,974,192	
Interest			3,409	
Miscellaneous			<u>294,000</u>	
<i>Total Revenues</i>			<u>5,012,494</u>	
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular Instruction	\$ 14,441	\$ 15,145	14,328	\$ 817
Special Instruction	817,593	857,486	811,212	46,274
Other Instruction	84,126	88,230	83,469	4,761
Support Services:				
Pupils	2,495,692	2,617,462	2,476,213	141,249
Instructional Staff	563,520	591,016	559,122	31,894
Board of Education	13,897	14,576	13,789	787
Administration	491,936	515,938	488,096	27,842
Fiscal	226,276	237,317	224,510	12,807
Business	8,471	8,884	8,405	479
Operation and Maintenance of Plant	151,090	158,462	149,911	8,551
Central	<u>61,911</u>	<u>64,932</u>	<u>61,428</u>	<u>3,504</u>
<i>Total Expenditures</i>	<u>4,928,953</u>	<u>5,169,448</u>	<u>4,890,483</u>	<u>278,965</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,928,953)</u>	<u>(5,169,448)</u>	<u>122,011</u>	
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	<u>-</u>	<u>-</u>	<u>78,139</u>	<u>78,139</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>78,139</u>	<u>78,139</u>
Net Change in Fund Balance			200,150	
Fund Balance, Beginning of Year			1,793,552	
Prior Year Encumbrances Appropriated			<u>100,539</u>	
Fund Balance, End of Year			<u>\$ 2,094,241</u>	

See accompanying notes to the supplementary information.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Supplementary Information  
For the Fiscal Year Ended June 30, 2016

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### Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures are recognized in the accounts. The Educational Service Center recognizes transactions when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Unencumbered fund balance is available for appropriation in the following fiscal year and therefore fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the Educational Service Center's year-end basic financial statements. Under that basis of accounting, expenses are generally recognized when the Educational Service Center becomes eligible to receive the revenue; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

### General Budget Policies

The Educational Service Center is not required to follow the budgetary provisions set forth in Ohio Rev. Code Section 5705 as it does not have local tax levies. However, the Governing Board annually adopts an expenditure budget which sets the spending authority, or appropriations, at the individual fund level, for the ensuing year. The Governing Board does not budget revenues.

The primary level of budget control established by the Governing Board is at the fund level. Any budgetary modifications below this amount may be made by management. Any changes in the total appropriations of a fund must be approved by resolution of the Governing Board. During fiscal year 2016 there were several modifications to the permanent appropriation budget approved by the Governing Board. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts.

As part of budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as assigned fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriation and becomes subject to future appropriation. Encumbrance appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund presented as supplementary information is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2016

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as assigned of fund balance (GAAP basis).
4. Other financing sources and uses (transfers and advances) are treated as cash inflows and outflows on the budget basis rather than accruals and/or revenues and expenses on the GAAP basis.
5. For financial reporting purposes, certain funds are combined with the activity of the General Fund on the GAAP basis. However, on the budget basis separate individual budgets are adopted for each respective fund.

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ (156,152)
Revenue Accruals	332,763
Expenditure Accruals	(28,120)
Encumbrances	51,614
Budget Perspective Difference	<u>45</u>
Budget Basis	<u><u>\$ 200,150</u></u>

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## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015 (Unaudited)

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

#### **Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

##### *Overall:*

- Total net position decreased \$264,991 which represents a 3.1 percent decrease from the revised net position reported at June 30, 2014.
- Total assets and deferred outflows of resources of governmental activities decreased \$708,511 primarily to the decrease in accounts receivables reported at June 30, 2015 compared with that reported for the prior year. This is mainly due to the timing of the charges for services billed prior to year end and received thereafter.
- Total liabilities and deferred inflows of resources decreased by \$443,520 in total or 3.6 percent. This is mainly due to the \$1,713,826 decrease in the net pension liability reported at June 30, 2015.
- Program revenues, in the form of charges for services and operating grants and contributions, accounted for \$3.2 million or 76.5 percent of total revenue. General revenue sources, primarily state foundation payments, accounted for the remaining \$977,780 of revenue received by the Educational Service Center.
- Of the Educational Service Center's \$4.4 million in expenses, \$3.2 million were offset by program specific charges for services, grants or contributions. General revenues (primarily entitlements and interest) were used to cover the net expense of approximately \$1,242,771.
- The General Fund, the Educational Service Center's operating fund, had an ending fund balance of \$1.3 million or a \$239,833 decrease from fiscal year 2014. The amount reported as restricted for specific purposes increased by \$88,202 from the amount reported one year prior due to an increase in the amount of funding held at year-end related to miscellaneous state mandated services.

#### **Using the Basic Financial Statements**

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

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015 (Unaudited)

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

#### **Reporting the Educational Service Center as a Whole**

##### *Statement of Net Position and the Statement of Activities*

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

These two statements report the Educational Service Center's net position and changes in that position. The change in net position is important because it allows the reader to determine if the financial position of the Educational Service Center, as a whole, has either improved or diminished during the current fiscal year. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Educational Service Center's state funding, office space issues, and legislative decisions related to service delivery as well as organization of county service centers in the future.

In the Statement of Net Position and the Statement of Activities, the Educational Service Center reports governmental activities. Governmental activities are the activities where all of the Educational Service Center's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant and pupil transportation. The Educational Service Center does not have any business-type activities.

#### **Reporting the Educational Service Center's Most Significant Funds**

##### *Fund Financial Statements*

The analysis of the Educational Service Center's major funds begins after the Statement of Activities. Fund financial reports provide detailed information about the General Fund. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds, and therefore only the major fund is presented separate from the other governmental funds.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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Governmental Funds

The Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps 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 financial statements.

**The Educational Service Center as a Whole**

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

Table 1 provides a summary of the Educational Service Center's net position for 2015 compared to 2014:

	<u>2015</u>	Revised <u>2014</u>
<i>Assets</i>		
Current and Other Assets	\$ 2,274,075	\$ 2,851,991
Capital Assets	<u>344,643</u>	<u>393,672</u>
Total Assets	<u>2,618,718</u>	<u>3,245,663</u>
<i>Deferred Outflows of Resources:</i>		
Pension	<u>508,224</u>	<u>589,790</u>
Total Deferred Outflows of Resources:	<u>508,224</u>	<u>589,790</u>
<i>Liabilities:</i>		
Current Liabilities	936,340	1,262,194
Long-term Liabilities:		
Net Pension Liability	9,163,494	10,877,320
Other Long-Term Liabilities	<u>72,212</u>	<u>117,772</u>
Total Liabilities	<u>10,172,046</u>	<u>12,257,286</u>
<i>Deferred Inflows of Resources:</i>		
Pension	<u>1,641,720</u>	-
Total Deferred Inflows of Resources:	<u>1,641,720</u>	-
<i>Net Position:</i>		
Net investment in capital assets	344,643	370,491
Restricted	397,901	309,699
Unrestricted	<u>(9,429,368)</u>	<u>(9,102,023)</u>
Total Net Position	<u>\$ (8,686,824)</u>	<u>\$ (8,421,833)</u>

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015 (Unaudited)

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During 2015, the Educational Service 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 Educational Service 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 Educational Service 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 Educational Service 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.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

In accordance with GASB 68, the Educational Service 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 Educational Service 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 \$1,865,697 to a deficit of \$(8,421,833). See note 18 for additional information.

The amount by which the Educational Service Center's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2015, the Educational Service Center's total net position was \$(8.7) million. Of that amount, \$344,643 was the net investment in capital assets, and \$397,901 was subject to external restrictions upon its use. The remaining deficit of \$(9.4) million resulted from the Educational Service Center's recognition of GASB 68. Prior to the implementation of GASB 68, the Educational Service Center reported a positive unrestricted net position of \$1.2 million.

Table 2 shows the changes in net position for fiscal year 2015 compared with the changes in net position reported for the prior fiscal year.

	<u>2015</u>	Revised <u>2014</u>
<i>Revenues:</i>		
Program Revenues:		
Charges for Services	\$ 3,151,735	\$ 5,345,804
Operating Grants & Contributions	39,699	798,370
General Revenues:		
Grants & Entitlements	734,719	1,079,020
Other	243,061	163,777
Total Revenues	<u>4,169,214</u>	<u>7,386,971</u>
<i>Program Expenses:</i>		
Instruction	1,048,477	2,290,769
Support Services:		
Pupils and Instructional Staff	2,574,186	3,708,340
Board of Education, Administration, Fiscal and Business	718,130	918,129
Plant Operation and Maintenance	82,089	111,210
Central	11,323	5,079
Total Expenses	<u>4,434,205</u>	<u>7,033,527</u>
Change in Net Position	(264,991)	353,444
Beginning Net Position	<u>(8,421,833)</u>	N/A
Ending Net Position	<u>\$ (8,686,824)</u>	<u>\$ (8,421,833)</u>

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the functional expenses reported for fiscal year 2014, which amounted to \$589,790, was reported using the guidance of GASB Statement No. 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflow of resources. The required contribution is no longer a component of pension expense under GASB 68. Using the guidance provided by GASB 68, the fiscal year 2015 statements report pension expense totaling \$432,098. Consequently, in order to compare fiscal year 2015 total program expenses to those of fiscal year 2014, the following adjustments are needed:

Total FY2015 program expenses under GASB 68	\$ 4,434,205
Pension expense under GASB 68	(432,098)
FY2015 contractually required contributions	<u>422,639</u>
Adjusted FY2015 program expenses	4,424,746
Total FY2014 program expenses under GASB 27	7,033,527
Decrease in program expenses not related to pension	<u><u>\$(2,608,781)</u></u>

The Educational Service Center is funded through numerous means. The major components are tuition and fees, charges for services and intergovernmental (foundation). Total revenues reported for fiscal year 2015 decreased by \$3,217,757 or 43.6% from prior year, which is mainly due to the decrease in charges for services related to shared services that the Center provides. The Educational Service Center provides various services to the six local school districts that it serves. In addition, certain services are also provided to the Springfield City School District through a contractual agreement with the Educational Service Center.

Management continues to make conscientious efforts to limit operating expenses while maintaining the level of service and quality of programs which are required by the local school districts it serves. Total expenses reported for fiscal year 2015 decreased by \$2,599,322, or 37.0 percent, from those reported for the prior year due to decrease in available resources for 2015. The decrease in expenses and revenues resulted in a change of net position of \$264,991 as of June 30, 2015, compared to a change in net position of \$353,444 in prior fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services for fiscal years 2015 and 2014.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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TABLE 3  
NET (EXPENSE) REVENUE OF SERVICE

	<u>2015</u>	<u>2014</u>
Instruction	\$ (225,295)	\$ (2,192)
Support Services:		
Pupils and Instructional Staff	(207,734)	145,457
Board of Education, Administration, Fiscal and Business	(716,330)	(916,329)
Plant Operation and Maintenance	(82,089)	(111,210)
Central	<u>(11,323)</u>	<u>(5,079)</u>
Total Net Cost of Service	<u>\$ (1,242,771)</u>	<u>\$ (889,353)</u>

The majority of the services offered by the Educational Service Center are classified as special education programs and instructional support services. Therefore a significant portion of the charges for services (tuition and fees) charged to member districts are reported as program revenue associated with these particular functions of expenses. It should be noted, that while some programs are classified as special education instruction, the majority of the expenses related to these program (primarily personnel costs) are for pupil and instructional support personnel and are therefore reported in the support services categories. Member districts are charged for services and tuition in two different manners, through direct billing from the Educational Service Center and through deduction from their State funding provided through the Foundation Program. Intergovernmental grants restricted to educational programs also provide revenue which can be directly related to these expense categories.

The remaining expense categories are used to capture costs related to the general operation and management of the Educational Service Center. As there are very few revenue sources which are directly related to these expense categories, they are almost entirely financed through general revenues (state foundation funding, interest earnings and other miscellaneous revenue). Depreciation expense is charged to the function utilizing the corresponding capital asset.

In general, Table 3 indicates approximately 72.0 percent of the expenses of the Educational Service Center are funded through charges for services, tuition, and operating grants and contributions; the remaining 28.0 percent is funded through general revenues, including state foundation and interest earnings.

**The Educational Service Center's Funds**

The Educational Service Center reports one major fund, the General Fund. All funds are classified as governmental funds and are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4.2 million and expenditures of \$4.4 million. The net decrease in fund balance of \$205,138 resulted in an overall fund balance of \$1,337,735 for all governmental funds, of which \$1,329,600 was reported in the General Fund. Included in the General Fund's ending fund balance, \$389,768 was restricted for various purposes and another \$263,611 has been assigned for specific purposes. The remaining \$676,221 of the General Fund's ending fund balance was unassigned and is available for future appropriations as deemed appropriate by the Governing Board. The ending unassigned fund balance reported for the General Fund at year-end represents 15.5 percent of the total General Fund expenditures reported for the year.

## **CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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### **Capital Assets**

At June 30, 2015 the capital assets of the Educational Service Center consisted of \$476,000 of buildings and improvements, \$161,956 of furniture and equipment and \$21,980 in vehicles, with accumulated depreciation of \$315,293, resulting in net capital assets of \$344,643. The overall \$49,029 decrease in total net capital assets is due to depreciation expense for the year as well as the disposal of the copier leases.

See Note 6 of the notes to the basic financial statements for additional information on the Educational Service Center's capital assets.

### **Debt Administration**

The Educational Service Center had no outstanding debt as of June 30, 2015.

### **Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Clark County Educational Service Center, 25 West Pleasant Street, Springfield, OH 45506 or call (937) 325-7671.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

**CLARK COUNTY, OHIO**

Statement of Net Position

June 30, 2015

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	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Investments	\$ 1,592,077
Restricted Cash and Investments - Current	340,851
Accounts Receivable	341,147
Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>344,643</u>
 Total Assets	 <u>2,618,718</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension	<u>508,224</u>
 Total Deferred Outflows of Resources	 <u>508,224</u>
<b>LIABILITIES:</b>	
Accounts Payable	10,694
Accrued Wages and Benefits	454,313
Intergovernmental Payable	468,687
Matured Compensated Absences	2,646
Noncurrent Liabilities:	
Due Within One Year	6,968
Due In More Than One Year	
Net Pension Liability	9,163,494
Other Amounts Due in More than One Year	<u>65,244</u>
 Total Liabilities	 <u>10,172,046</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension	<u>1,641,720</u>
 Total Deferred Inflows of Resources	 <u>1,641,720</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	344,643
Restricted for:	
Specific Educational Programs	57,050
State Mandates	340,851
Unrestricted	<u>(9,429,368)</u>
 Total Net Position	 \$ <u><u>(8,686,824)</u></u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Statement of Activities  
For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
<b><u>Functions/Programs:</u></b>	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 15,855	52,802	-	36,947
Special	948,023	770,380	-	(177,643)
Student Intervention Services	83,796	-	-	(83,796)
Other	803	-	-	(803)
Support Services:				
Pupils	2,099,551	1,887,378	-	(212,173)
Instructional Staff	474,635	441,175	37,899	4,439
Board of Education	16,363	-	-	(16,363)
Administration	476,558	-	1,800	(474,758)
Fiscal	212,901	-	-	(212,901)
Business	12,308	-	-	(12,308)
Operation and Maintenance of Plant	82,089	-	-	(82,089)
Central	11,323	-	-	(11,323)
Total	\$ 4,434,205	3,151,735	39,699	(1,242,771)
General Revenues:				
Grants, Entitlements and Contributions not Restricted to Specific Programs				734,719
Investment Earnings				509
Miscellaneous				242,552
Total General Revenues				977,780
Change in Net Position				(264,991)
Net Position, Beginning of Year (restated)				(8,421,833)
Net Position, End of Year				\$ (8,686,824)

See accompanying notes to the basic financial statements.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Equity in Pooled Cash and Investments	\$ 1,583,942	\$ 8,135	\$ 1,592,077
Restricted Cash and Investments - Current	340,851	-	340,851
Receivables:			
Accounts	341,147	-	341,147
 Total Assets	 <u>\$ 2,265,940</u>	 <u>\$ 8,135</u>	 <u>\$ 2,274,075</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 10,694	\$ -	\$ 10,694
Accrued Wages and Benefits	454,313	-	454,313
Intergovernmental Payable	468,687	-	468,687
Matured Compensated Absences	2,646	-	2,646
 Total Liabilities	 <u>936,340</u>	 <u>-</u>	 <u>936,340</u>
<b>FUND BALANCES:</b>			
Restricted for:			
Local Grant Programs	48,917	4,533	53,450
State and Federal Grant Programs	-	3,602	3,602
State Mandates	340,851	-	340,851
Assigned for:			
Subsequent Expenditures	54,179	-	54,179
Future Occupancy Cost	178,700	-	178,700
Future Severance Cost	30,732	-	30,732
Unassigned	676,221	-	676,221
 Total Fund Balances	 <u>1,329,600</u>	 <u>8,135</u>	 <u>1,337,735</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,265,940</u>	 <u>\$ 8,135</u>	 <u>\$ 2,274,075</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2015

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Total Governmental Fund Balances	\$ 1,337,735
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	344,643
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	508,224
Deferred Inflows - Pension	(1,641,720)
Net Pension Liability	(9,163,494)
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	<u>(72,212)</u>
Net Position of Governmental Activities	<u>\$ (8,686,824)</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY, OHIO**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ 734,719	\$ 86,623	\$ 821,342
Tuition and Fees	52,802	-	52,802
Charges for Services	3,098,933	-	3,098,933
Interest	509	-	509
Miscellaneous	239,677	2,648	242,325
	<u>4,126,640</u>	<u>89,271</u>	<u>4,215,911</u>
Total Revenues			
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	14,849	1,006	15,855
Special	875,968	38,570	914,538
Other	84,749	-	84,749
Support Services:			
Pupils	2,128,788	-	2,128,788
Instructional Staff	498,622	12,938	511,560
Board of Education	16,363	-	16,363
Administration	464,047	-	464,047
Fiscal	200,492	-	200,492
Business	12,308	-	12,308
Operation and Maintenance of Plant	61,253	-	61,253
Central	11,323	-	11,323
	<u>4,368,762</u>	<u>52,514</u>	<u>4,421,276</u>
Total Expenditures			
Revenues Over/(Under) Expenditures	(242,122)	36,757	(205,365)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	2,062	-	2,062
Proceeds from Sale of Capital Assets	227	-	227
Transfers Out	-	(2,062)	(2,062)
	<u>2,289</u>	<u>(2,062)</u>	<u>227</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(239,833)	34,695	(205,138)
Fund Balance, Beginning of Year	1,569,433	(26,560)	1,542,873
Fund Balance, End of Year	\$ 1,329,600	\$ 8,135	\$ 1,337,735

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK 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

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Total Net Change in Fund Balances - Total Governmental Funds	\$	(205,138)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the net difference between capital outlay and depreciation expense in the current period.		
Current year depreciation		(25,849)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the carrying amount of capital assets disposed of during the year which was offset against any proceeds received.		
		(23,180)
Revenue reported in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.		
Intergovernmental		(46,924)
Current year termination of capital lease obligations resulted in a reduction of long-term obligations in the statement of net position but did not provide or use current resources, and therefore, was not included within the fund statements.		
		23,181
Long-term compensated absences are reported as expenses in the statement of activities; however, as these long-term obligations payable do not require the use of current financial resources, they are not reported as expenditures in the governmental funds.		
		22,378
Contractually required contributions are reported as expenditures in governmental funds however, the statement of activities reports these amounts as deferred outflows.		
		422,639
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		<u>(432,098)</u>
Change in Net Position of Governmental Activities	\$	<u>(264,991)</u>

See accompanying notes to the basic financial statements.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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### **NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY**

The Clark County Educational Service Center (the Educational Service Center) is located in Springfield, Ohio, the county seat. The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services by state and federal agencies. The Board controls the Educational Service Center which provides various services to the staff and students of the six local school districts within Clark County.

The Educational Service Center was established in 1914 in response to recommendations from the Ohio State School Survey Commission. Senate Bill 9, passed on February 4, 1914, provided for the standardization of schools and established the county educational service centers.

Since 1914, county superintendents have been involved in various areas of administration and performed many services, which include, but are not limited to the following: cooperative programs, supervision, liaison between local school districts and the Ohio Department of Education, health insurance programs, and special education services. Many of those services have been initiated by the county office of education without being legislatively mandated.

The Educational Service Center consists of five elected board members, a superintendent, a treasurer, and employees. The Clark County Educational Service Center is a school district that was chartered July 21, 1989 by the State Board of Elections.

The Educational Service Center serves six local school districts: Greenon Local, Northeastern Local, Northwestern Local, Southeastern Local, Clark-Shawnee Local and Tecumseh Local. It also works with the Springfield-Clark County Career Technology Center in the areas of in-service of administrators. Springfield City Schools and the Educational Service Center have entered into a city/county agreement to provide services in designated areas.

Under Senate Bill 140, county educational service centers are required to appoint business advisory councils. The Educational Service Center has appointed a Business Advisory Council, which is strictly voluntary on the part of the members. There is no financial responsibility of the Educational Service Center for this council. The Business Advisory Council has evolved and merged with the Aspire P-16 Council to promote education from preschool through college/technical school. This consolidated group then joined with the Clark County Chamber of Commerce's "Moving Forward Student Achievement Committee" as many business groups were involved in both committees with the same goals of the best education for all students of Clark County that will be the future of this County's workforce.

#### Reporting Entity

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

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing body and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations for which the Educational Service Center approves the budget, the issuance of debt or the levying of taxes. The Educational Service Center does not have any component units.

The Educational Service Center is associated with five jointly governed organizations and three insurance purchasing pools. These organizations include the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative, the Clark County Family and Children First Council, the Springfield-Clark County Career Technology Center, Southwestern Ohio Instructional Technology Association, the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 13 and 14 to the basic financial statements

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***A. Basis Of Presentation***

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

#### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and 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 requirements of a particular program. Revenues not classified as program

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service Center.

### Fund Financial Statements

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

### ***B. Fund Accounting***

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All of the Educational Service Center's funds are classified as governmental funds.

### Governmental Funds

Governmental funds focus 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 versus liabilities and deferred inflows of resources is reported as fund balance. The Educational Service Center's major fund is:

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

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

### ***C. Measurement Focus***

### Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Educational Service Center are included on the Statement of Net position.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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### Fund Financial Statements

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

#### ***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. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

#### *Revenues – Exchange and Non-exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, 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 Educational Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed to be both measurable and available: tuition and fees, intergovernmental grants, and charges for services.

#### *Deferred Outflows/Inflows of Resources:*

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. A deferred outflow 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



## CLARK COUNTY EDUCATIONAL SERVICE CENTER

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension amounts which are explained further in Note 8.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the Educational Service Center, deferred inflows of resources include pension and unavailable revenues. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes intergovernmental revenues and grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 8.

### *Expenses/Expenditures:*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be paid out as a result of employment, retirement or termination rather than in the period earned by the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized on the government-wide financial statements recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

### ***E. Cash and Investments***

To improve cash management, cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are pooled in this account. Individual fund integrity is maintained through the Educational Service Center's records. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Investments".

During fiscal year 2015, the Educational Service Center's investments were limited to funds invested in the State Treasury Assets Reserves of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the 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 \$509 which includes \$10 assigned from other Educational Service Center funds.

For presentation on the statement of net position and the governmental fund's balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

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***F. Estimates***

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

***G. Capital Assets and Depreciation***

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net position but are not reported in the fund statements.

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

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

Description	Estimated Lives
Buildings and Improvements	10 – 40 years
Equipment	5 – 15 years
Vehicles	8 years

***H. Compensated Absences***

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

A liability for sick leave is accrued using the vesting method which states that the Educational Service Center will estimate its liability based on sick leave accumulated at the end of the fiscal year by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated sick leave for all employees after ten years of current service with the Educational Service Center.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

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For the Fiscal Year Ended June 30, 2015

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***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, principal payments on capital leases and compensated absences liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured and are due for payment.

***J. Pensions***

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

***K. Net Position***

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

***L. Fund Balance***

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

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

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

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Committed – committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center’s governing board. 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 Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended use established by the Educational Service Center’s governing board.

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

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. For the year ended June 30, 2015, the Educational Service Center did not report any fund balances meeting the definition of nonspendable or committed.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes require the classification of monies held by the Educational Service 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 School Treasury, in depository accounts payable, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Educational Service Center has identified as not required for use with the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as 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 the certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the Educational Service 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 money deposited with the institution.

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Notes to the Basic Financial Statements

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Interim monies may be invested in the following obligations:

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;

Bonds, notes, debentures, or 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 governmental agencies or instrumentalities;

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;

Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio);

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Educational Service Center's deposits may not be returned to it. Protection of the Educational Service Center's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$1,280,906 and the bank balance was \$1,291,984. Of the bank balance \$250,000 was covered by federal deposit insurance and the remaining \$1,041,984 was exposed to custodial credit risk as it was collateralized with pooled securities held by a trustee of the pledging institution.

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Notes to the Basic Financial Statements

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Investments

The Educational Service Center's only investment at June 30, 2015 was in STAR Ohio, an investment pool operated by the Ohio State Treasurer. STAR Ohio is an uninsured and uncollateralized investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$652,022 at June 30, 2015 and was rated AAAM by Standard and Poors'.

**NOTE 4 – STATE FUNDING**

The Educational Service 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 Educational Service Center provides 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 Educational Service Center. For fiscal year 2015 the funding for educational service centers was \$35.00 per student.

If additional funding is needed, and if a majority of the Boards of Educations of the school districts served by the Educational Service 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 Educational Service Center through additional reductions in their resources provided through the State Foundation program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2015, consisted of amounts due from school districts for services provided. All receivables are considered collectible in full and as of June 30, 2015 and totaled \$341,147.

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**NOTE 6 – CAPITAL ASSETS**

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

	Balance 7/1/2014	Increase	Decrease	Balance 6/30/2015
<b><u>Capital Assets, being depreciated</u></b>				
Buildings and Improvements	\$ 476,000	\$ -	\$ -	\$ 476,000
Furniture and Equipment	243,288	-	81,332	161,956
Vehicles	21,980	-	-	21,980
	<u>741,268</u>	<u>-</u>	<u>81,332</u>	<u>659,936</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings and Improvements	133,280	19,040	-	152,320
Furniture and Equipment	194,534	6,809	58,152	143,191
Vehicles	19,782	-	-	19,782
	<u>347,596</u>	<u>25,849</u> *	<u>58,152</u>	<u>315,293</u>
Governmental Activities Capital Assets, Net	<u>\$ 393,672</u>	<u>\$ (25,849)</u>	<u>\$ 23,180</u>	<u>\$ 344,643</u>

\* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$ 465
Support Services:	
Pupil Support	482
Administration	3,975
Fiscal	91
Operation & Maintenance of Plant	<u>20,836</u>
Total Depreciation Expense	<u>\$ 25,849</u>

**NOTE 7 - RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2015, the Educational Service Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a member-owned insurance consortium pool. Each individual school district pays annual premiums determined by SORSA to be sufficient to provide for anticipated claims (See Note 14). SORSA utilizes commercial insurance companies to provide reinsurance coverage for all claims exceeding \$100,000 for property and automobile physical damage coverage and \$250,000 for third-party liability coverage. For equipment breakdown coverage SORSA reinsures 100 percent of this exposure and does not retain any level of self-insurance. There is no deductible for most claims.



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Insurance coverage provided includes the following:

Fleet Liability	\$15,000,000
Auto Medical Payments	10,000/25,000
Uninsured Motorists	1,000,000
Education General Liability:	
Each Occurrence	15,000,000
Personal and Advertising Injury Limit – Each Offense	15,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000/25,000
General Aggregate Limit	17,000,000
Products – Completed Operations Limit	15,000,000
Employee Benefits Liability:	
Each Offense	15,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	15,000,000
Disease-Each Employee	15,000,000

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

**B. Workers' Compensation**

For fiscal year 2015, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The plan is intended to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2015, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.



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**NOTE 8 – 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 Educational Service 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 Educational Service Center’s obligation for this liability to annually required payments. The Educational Service Center cannot control benefit terms or the manner in which pensions are financed; however, the Educational Service Center does receive the benefit of employees’ services in exchange for compensation including pension.

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to 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 Educational Service Center’s contractually required contribution to SERS was \$84,075 for fiscal year 2015; \$11,286 of contributions is reported within intergovernmental payable at June 30, 2015.

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

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

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

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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.

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 Educational Service 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 Educational Service Center's contractually required contribution to STRS was \$338,564 for fiscal year 2015; \$56,053 of contributions is reported within intergovernmental payable at June 30, 2015.

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***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 Educational Service Center's proportion of the net pension liability was based on the Educational Service 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,359,412	\$ 6,804,082	\$ 9,163,494
Proportion of the net pension liability	0.046620%	0.02797333%	
Pension expense	\$ 132,323	\$ 299,775	\$ 432,098

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 20,081	\$ 65,504	\$ 85,585
Service Center contributions subsequent to the measurement date	<u>84,075</u>	<u>338,564</u>	<u>422,639</u>
Total deferred outflows	<u>\$ 104,156</u>	<u>\$ 404,068</u>	<u>\$ 508,224</u>
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 382,939</u>	<u>\$ 1,258,781</u>	<u>\$ 1,641,720</u>

\$422,639 reported as deferred outflows of resources related to pension resulting from contributions made by the Educational Service Center 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:

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (90,715)	\$ (298,319)	\$ (389,034)
2017	(90,714)	(298,319)	(389,033)
2018	(90,715)	(298,319)	(389,034)
2019	<u>(90,714)</u>	<u>(298,320)</u>	<u>(389,034)</u>
	<u>\$ (362,858)</u>	<u>\$ (1,193,277)</u>	<u>\$ (1,556,135)</u>

***Actuarial Assumptions - SERS***

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

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

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

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

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

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For the Fiscal Year Ended June 30, 2015

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US stocks	22.50%	5.00%
Non-US stocks	22.50%	5.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real assets	10.00%	5.00%
Multi-asset strategies	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

**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 Educational Service 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Center's proportionate share of the net pension liability	\$ 3,366,179	\$ 2,359,412	\$ 1,512,633

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

***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
Future 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00%</u>	3.00%
Total	<u>100.00%</u>	

***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



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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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 Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Educational Service 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 Educational Service 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	\$ 9,740,785	\$ 6,804,082	\$ 4,320,619

**NOTE 9 – POSTEMPLOYMENT BENEFITS**

***A. School Employee Retirement System***

**Plan Description** – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

**Fund Policy** – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is 0.82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The Educational Service Center's allocated contributions to the health care fund for the years ended June 30, 2015, 2014 and 2013 were \$12,845, \$14,971, and \$14,137 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The Educational Service Center’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$30,254, and \$32,480 respectively; which equaled the required contributions for each year.

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave benefits are derived from Board policy and State laws. All twelve month certified employees earn twenty days of vacation per fiscal year, eleven month certified employees earn fifteen days of vacation per fiscal year and ten month certified employees earn ten days of vacation per fiscal year. Certified employees working less than ten months do not earn vacation time.

Support staff employees earn ten days of vacation after one year of service; after eight years of service they earn fifteen days of vacation; with fifteen years of service they earn twenty days of vacation and after twenty-five years of service they earn twenty-five days of vacation per year. Accumulated, unused vacation must be used by December of the fiscal year following the fiscal year in which it is earned.

All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract in which it is earned.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fifth of accrued, but unused sick leave credit to a maximum of 45 days for all employees. Directors with two years of experience with the Educational Service Center are eligible to be paid a maximum of 56 days of unused sick leave upon retirement.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. Medical/surgical benefits are provided by United Health Care through Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (See Note 14). The employees' are required to contribute 20 percent of the premiums for medical/surgical benefits.

**C. Pick-Up of Employees' Share of Retirement**

The Educational Service Center contributes 14 percent of the employee wages to the State Teachers' Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS). The remaining 12 percent for STRS Ohio and 10 percent for SERS is paid by the employee with the exception of fully paid retirement for the Superintendent, Treasurer, and selected administrators as defined by their respective contracts.

**NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE**

In July 2007, the Educational Service Center entered into an agreement with the Clark County Board of County Commissioners for the lease-purchase of certain property to use for administrative offices and operational space. The agreement called for an initial payment of \$60,000 in September 2007, and quarterly payments of \$17,333 for a period of six years, with no provision for interest. The total consideration paid for the property was \$476,000 with ownership of the property being conveyed to the Educational Service Center after completion of all payments. The Educational Service Center's last payment was made in December of 2013. In addition in prior years, the Educational Service Center entered into various capitalized leases for the purchase of equipment. These leases meet the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

The capital assets acquired by lease have been capitalized in the statement of net position totaling \$476,000 and \$81,332 for buildings and equipment, respectively, which is equal to the present value of the minimum lease payments at the time of acquisition. During fiscal year 2015, the Educational Service Center terminated their lease agreements pertaining to their equipment.

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2015 were as follows:

	Restated Balance 7/1/2014	Increase	Decrease	Balance 6/30/2015	Due within One Year
Net Pension Liability:					
STRS	\$ 8,104,978	\$ -	\$ 1,300,896	\$ 6,804,082	\$ -
SERS	<u>2,772,342</u>	<u>-</u>	<u>412,930</u>	<u>2,359,412</u>	<u>-</u>
	10,877,320	-	1,713,826	9,163,494	-
Compensated Absences	94,591	1,171	23,550	72,212	6,968
Capital Lease Obligations	<u>23,181</u>	<u>-</u>	<u>23,181</u>	<u>-</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 10,995,092</u>	<u>\$ 1,171</u>	<u>\$ 1,760,557</u>	<u>\$ 9,235,706</u>	<u>\$ 6,968</u>

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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Compensated absences will be paid from the funds from which the employees' salaries are paid. Capital leases will continue to be paid from the General Fund.

**NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS**

*Miami Valley Educational Computer Association*

The Educational Service Center is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$14,168 for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

*Southwestern Ohio Educational Purchasing Cooperative*

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2015, the Educational Service Center paid \$300 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

*Clark County Family and Children First Council*

The Clark County Family and Children First Council (the Council) is a voluntary association established to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of each of the members of the Council. The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Road, Springfield, Ohio 45501.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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### *Springfield-Clark County Career Technology Center*

The Springfield-Clark County Career Technology Center (the Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Educational Service Center. One member is appointed from the Springfield City School District. To obtain financial information, write to the Springfield-Clark County Career Technology Center, Steven Clark, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4329.

### *Southwestern Ohio Instructional Technology Association*

The Southwestern Ohio Instructional Technology Association (SOITA) is a non-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The Educational Service Center made no contributions to SOITA during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as the Interim Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

### **NOTE 14 – INSURANCE POOLS**

#### *Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan*

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

#### *Southwestern Ohio Educational Purchasing Council Medical Benefits Plan*

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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*Schools of Ohio Risk Sharing Authority*

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA) a risk sharing insurance pool. The pool consists of seventy-six school districts and educational services centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery and public official liability coverage. The Educational Service Center pays an annual premium to SORSA for this coverage. There is no deductible associated with claims for all types of coverage. The self-insured retention by SORSA is \$100,000 for property and automobile physical damage and \$250,000 for third-party liability. Reinsurance is purchased to cover claims exceeding these amounts and for all claims related to equipment breakdown coverage.

**NOTE 15 – INTERFUND ACTIVITY**

During 2014, the Educational Service Center advanced \$73,972 from the General Fund to several grant funds in order to cover cash until grants were reimbursed. In fiscal year 2015, the Educational Service Center repaid these advances back to the general fund.

In an effort to close certain projects out, the Educational Service Center transferred a total of \$2,062 to the General Fund during fiscal year 2015 from various other governmental funds.

**NOTE 16 - CONTINGENCIES**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2015.

**NOTE 17 – COMMITMENTS**

At year end the Educational Service Center had a total of \$100,539 encumbered for future purchase obligations, all within the General Fund.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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**NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2015, the Educational Service Center implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

The implementation of GASB 68 had the following effect on net position as reported June 30, 2014:

	<u>Governmental Activities</u>
Net Position at June 30, 2014 as previously reported	\$ 1,865,697
Adjustments:	
Net Pension Liability at June 30, 2014	(10,877,320)
Deferred Outflows - Payments Subsequent to Measurement Date	589,790
Net Position at June 30, 2014 as restated	<u>\$ (8,421,833)</u>

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

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Schedule of the Center's Proportionate Share of the Net Pension Liability  
Last Two Fiscal Years (1)

	2014	2013
<b><u>School Employees Retirement System of Ohio:</u></b>		
Center's Proportion of the Net Pension Liability	0.046620%	0.046620%
Center's Proportionate Share of the Net Pension Liability	\$ 2,359,412	\$ 2,772,342
Center's Covered-Employee Payroll	\$ 1,368,362	\$ 1,318,548
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	172.43%	210.26%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	71.70%	65.52%
<b><u>State Teachers Retirement System of Ohio:</u></b>		
Center's Proportion of the Net Pension Liability	0.02797333%	0.02797333%
Center's Proportionate Share of the Net Pension Liability	\$ 6,804,082	\$ 8,104,978
Center's Covered-Employee Payroll	\$ 3,077,962	\$ 3,497,815
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	221.06%	231.72%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available. The Center will continue to present information for years available until a full ten-year trend is presented.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY, OHIO**

Schedule of the Center's Contributions  
Last Five Fiscal Years (1)

	2015	2014	2013	2012	2011
<b><u>School Employees Retirement System of Ohio:</u></b>					
Contractually Required Contribution	\$ 84,075	\$ 189,655	\$ 182,487	\$ 167,235	\$ 164,014
Contributions in Relation to the Contractually Required Contributions	<u>(84,075)</u>	<u>(189,655)</u>	<u>(182,487)</u>	<u>(167,235)</u>	<u>(164,014)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center Covered-Employee Payroll	\$ 637,898	\$ 1,368,362	\$ 1,318,548	\$ 1,243,383	\$ 1,304,805
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%
<b><u>State Teachers Retirement System of Ohio:</u></b>					
Contractually Required Contribution	\$ 338,564	\$ 400,135	\$ 454,716	\$ 384,288	\$ 355,477
Contributions in Relation to the Contractually Required Contributions	<u>(338,564)</u>	<u>(400,135)</u>	<u>(454,716)</u>	<u>(384,288)</u>	<u>(355,477)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center Covered-Employee Payroll	\$ 2,418,314	\$ 3,077,962	\$ 3,497,815	\$ 2,956,062	\$ 2,734,438
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to 2011 is not available. The Center will continue to present information for years available until a full ten-year trend is presented.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Non-GAAP) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>				
Tuition and Fees			\$ 55,546	
Intergovernmental			734,747	
Charges for Services			3,399,864	
Interest			509	
Miscellaneous			148,480	
<i>Total Revenues</i>			<u>4,339,146</u>	
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular Instruction	\$ 4,820	\$ 14,849	14,849	\$ -
Special Instruction	914,138	973,641	973,641	-
Other Instruction	92,886	84,976	84,976	-
Support Services:				
Pupils	2,220,498	2,168,824	2,168,824	-
Instructional Staff	462,231	631,692	631,692	-
Board of Education	22,610	15,744	15,744	-
Administration	460,621	521,891	521,891	-
Fiscal	233,917	221,300	221,300	-
Business	10,710	12,367	12,367	-
Operation and Maintenance of Plant	109,954	80,769	80,769	-
Central	13,079	10,856	10,856	-
<i>Total Expenditures</i>	<u>4,545,464</u>	<u>4,736,909</u>	<u>4,736,909</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,545,464)</u>	<u>(4,736,909)</u>	<u>(397,763)</u>	
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	-	-	91,197	91,197
Proceeds from Sale of Fixed Assets	-	-	227	227
Advances In	-	-	73,972	73,972
Transfers In	-	-	51,203	51,203
Transfers Out	-	(49,142)	(49,142)	-
<i>Total Other Financing Sources (Uses)</i>	<u>\$ -</u>	<u>\$ (49,142)</u>	<u>167,457</u>	<u>216,599</u>
Net Change in Fund Balance			(230,306)	
Fund Balance, Beginning of Year			1,944,974	
Prior Year Encumbrances Appropriated			78,884	
Fund Balance, End of Year			<u>\$ 1,793,552</u>	

See accompanying notes to the supplementary information.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Supplementary Information  
For the Fiscal Year Ended June 30, 2015

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### Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures are recognized in the accounts. The Educational Service Center recognizes transactions when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Unencumbered fund balance is available for appropriation in the following fiscal year and therefore fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the Educational Service Center's year-end basic financial statements. Under that basis of accounting, expenses are generally recognized when the Educational Service Center becomes eligible to receive the revenue; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

### General Budget Policies

The Educational Service Center is not required to follow the budgetary provisions set forth in Ohio Rev. Code Section 5705 as it does not have local tax levies. However, the Governing Board annually adopts an expenditure budget which sets the spending authority, or appropriations, at the individual fund level, for the ensuing year. The Governing Board does not budget revenues.

The primary level of budget control established by the Governing Board is at the fund level. Any budgetary modifications below this amount may be made by management. Any changes in the total appropriations of a fund must be approved by resolution of the Governing Board. During fiscal year 2015 there were several modifications to the permanent appropriation budget approved by the Governing Board. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts.

As part of budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as assigned fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriation and becomes subject to future appropriation. Encumbrance appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund presented as supplementary information is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2015

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as assigned fund balance (GAAP basis).
4. Other financing sources and uses (transfers and advances) are treated as cash inflows and outflows on the budget basis rather than accruals and/or revenues and expenses on the GAAP basis.
5. For financial reporting purposes, certain funds are combined with the activity of the General Fund on the GAAP basis. However, on the budget basis separate individual budgets are adopted for each respective fund.

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ (239,833)
Revenue Accruals	303,703
Expenditure Accruals	(476,135)
Encumbrances	100,539
Net Advances	73,972
Budget Perspective Difference	<u>7,448</u>
Budget Basis	<u>\$ (230,306)</u>

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# Dave Yost • Auditor of State

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

Clark County Educational Service Center  
Clark County  
25 West Pleasant Street  
Springfield, Ohio 45506

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Clark County Educational Service Center, Clark County, (the Center) as of and for the fiscal years ended June 30, 2016 and 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 June 9, 2017, wherein we noted the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

***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*.

***Center's Response to Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



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

June 9, 2017

**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness**

**Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Center's June 30, 2014 financial statements were adjusted by \$386,793 to increase intergovernmental revenue and the Center's ending cash balance which were understated due to negative receipts posted by the Treasurer in fiscal year 2014 to account for negative foundation settlement revenue. An adjustment was also made to record a corresponding payable to the Ohio Department of Education (ODE) in the amount of \$386,793 for funds that could not be deducted from the Center's foundation settlements. Those audit adjustments were not reversed on the Center's financial statements at June 30, 2015, which resulted in an overstatement of intergovernmental revenue and expenditures in the amount of \$386,793. Additionally, because the overpayment was not recouped by ODE during 2015 or 2016, \$386,793 was considered a payable to ODE as of June 30, 2015 and 2016. Adjustments to the financial statements were required to report the proper amount of intergovernmental revenues and expenditures at June 30, 2015, as well as an intergovernmental payable at June 30, 2015 and 2016.

Furthermore, reclassifications in the amounts of \$342,233 and \$313,261 were made to the financial statements at June 30, 2016 and 2015, respectively, to report revenue from services provided to Springfield City School District as Charges for Services instead of Intergovernmental revenue and Operating Grants and Contributions. Additionally, the associated receivables, in the amounts of \$8,342 and \$341,147, were reclassified from Intergovernmental Receivable to Accounts Receivable in 2016 and 2015, respectively.

The Center should implement procedures to provide assurance of the accuracy of information reported within the financial statements. The adjustments and reclassifications identified during the audit should be reviewed to verify that similar errors are not reported on the financial statements in subsequent years.

**Officials' Response**

The Treasurer had been in communication with the ODE during the FY 14 and FY 15 to remedy the overpayment of foundation funds for preschool ADM. The district had been told on more than one occasion the information would be passed along for a determination on how it would be handled.

The district was well aware of the situation and the disclosure indicated such.

During the FY15 and FY16 audit, a member of the audit team contacted ODE regarding the outstanding balance. The treasurer was then notified via email that the money was to be returned to ODE within 15 days of the receipt of the email. The Treasurer then responded back to ODE to ask for a repayment method to ensure financial stability for the ESC. ODE did offer an alternative repayment plan that will begin April 1, 2017. Those emails have been forwarded to the audit team for their files.

CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016 AND 2015

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material Weakness – Financial Reporting	Not Corrected	Re-issued as Finding 2016-001  See Officials' Response in Schedule of Findings





# Dave Yost • Auditor of State

CLARK COUNTY EDUCATIONAL SERVICE CENTER

CLARK 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  
AUGUST 3, 2017