CLERMONT COUNTY EDUCATIONAL SERVICE CENTER
CLERMONT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

CLERMONT COUNTY EDUCATIONAL SERVICE CENTER
CLERMONT COUNTY

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INDEPENDENT AUDITOR'S REPORT

Clermont County Educational Service Center
Clermont County
2400 Clermont Center Drive, Suite 100
Batavia, Ohio 45103

To the Governing Board:

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 the Clermont County Educational Service Center, Clermont County, Ohio (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Clermont County Educational Service Center, Clermont County, Ohio, as of

June 30, 2015, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the 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*, *required budgetary comparison schedule* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 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.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 7, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015 by $19,540,219.

- The Center's net position of governmental activities increased $924,069.

- General revenues accounted for $171,000 in revenue or 1 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $18,030,660 or 99 percent of total revenues of $18,201,660.

- The Center had $17,277,591 in expenses related to governmental activities; All of these expenses were offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

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

REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Position and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflow of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net position and changes to net position. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Position and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. All of the Center's programs and services are reported here including instruction and support services.

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 8. Fund financial statements provide detailed information about the Center's major fund – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major fund is the General Fund.

Governmental Funds. Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds. The Center's fiduciary fund is an agency fund. The Center's fiduciary fund is reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Center's other financial statements because the Center cannot use these assets to finance its operations. The Center is responsible for ensuring that the assets reported in this fund are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

THE CENTER AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2015 compared to 2014.

Table 1
Net Position
Governmental Activities

	2015	2014*
Assets:		
Current and Other Assets	$ 8,134,582	$ 7,467,616
Capital Assets, Net	80,242	74,598
Total Assets	8,214,824	7,542,214
Deferred Outflows of Resources:		
Pensions	1,778,563	1,461,832
Total Deferred Outflows of Resources	1,778,563	1,461,832
Liabilities:		
Current and Other Liabilities	1,830,137	1,663,332
Long-Term Liabilities:		
Due Within One Year	52,708	35,392
Due in More than One Year:		
Net Pension Liabilities	23,037,541	27,341,516
Other Amounts	413,479	428,094
Total Liabilities	25,333,865	29,468,334
Deferred Inflows of Resources		
Pensions	4,199,741	-
Total Deferred Inflows of Resources	4,199,741	-
Net Position:		
Net Investment in Capital Assets	80,242	74,598
Restricted	19,018	21,769
Unrestricted	(19,639,479)	(20,560,655)
Total Net Position	$ (19,540,219)	$ (20,464,288)

* As restated, See Note 17.

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

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

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

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

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

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

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

As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $5,415,396 to ($20,464,288).

Total net position of the Center as a whole increased in the amount of $924,069. Current and other assets increased due to an increase in cash on hand as of year end, which was partially offset by a decrease in accounts receivable. Deferred inflows of resources increased due to changes in the net pension liability due to differences between projected and actual investment earnings on pension plan investments which are deferred and amortized over a five year period. Current and other liabilities increased primarily due an increase in accrued wages and benefits payable and matured compensated absences payable. Long-term liabilities decreased primarily to the due to a reduction in the net pension liability.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2015 and 2014.

Table 2
Changes in Net Position
Governmental Activities

	2015	2014
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 17,099,874	$ 16,090,105
Operating Grants and Contributions	930,786	986,422
Total Program Revenues	18,030,660	17,076,527
General Revenues:		
Grants and Entitlements not Restricted	39,035	43,550
Gifts and Donations not Restricted	12,000	10,700
Investment Earnings	20,434	17,011
Miscellaneous	99,531	44,540
Total General Revenues	171,000	115,801
Total Revenues	18,201,660	17,192,328
Program Expenses		
Instruction:		
Regular	73,566	91,313
Special	6,509,652	6,151,370
Adult/Continuing	-	2,656
Support Services:		
Pupils	8,828,146	9,258,223
Instructional Staff	841,459	481,483
Board of Education	212,988	214,774
Administration	459,121	433,689
Fiscal	273,084	296,073
Central	19,774	21,028
Operation of Non-Instructional Services	59,801	59,810
Total Expenses	17,277,591	17,010,419
Increase in Net Position	924,069	181,909
Net Position at Beginning of Year - As Restated, See Note 17	(20,464,288)	N/A
Net Position at End of Year	$ (19,540,219)	$ (20,464,288)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $1,461,825 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $1,142,755. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$17,277,591
Pension expense under GASB 68	(1,142,755)
2015 contractually required contribution	1,563,720
Adjusted 2015 program expenses	17,698,556
Total 2014 program expenses under GASB 27	17,010,419
Increase in program expenses not related to pension	$688,137

The increase to miscellaneous revenue is due primarily to additional refunds received from the Center's workers' compensation group retrospective rating plan. Charges for services and sales increased due to more students in the classrooms which are charged on a per student basis in addition to additional services to member School Districts. Instructional staff increased due to prior year accruals. Pupils decreased due to the implementation of GASB 68 and the decrease of the net pension liability. Special instruction increased due to hiring additional staff to accommodate the increase in students in the classrooms.

Governmental Activities

Charges for services and sales comprised 94 percent of revenue for governmental activities, operating grants and contributions comprised 5 percent of revenue for governmental activities of the Center for fiscal year 2015, while general revenues comprised of 1 percent of total revenues.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Special instruction comprised 38 percent of governmental program expenses with support services for pupils comprising 51 percent of governmental expenses and support services for instructional staff comprising 5 percent of government expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 6,583,218	$ (723,912)	$ 6,245,339	$ (557,461)
Support Services	10,634,572	(32,796)	10,705,270	472,915
Operation of Non-Instructional Services	59,801	3,639	59,810	18,438
Total Expenses	$ 17,277,591	$ (753,069)	$ 17,010,419	$ (66,108)

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $18,213,660 and expenditures and other financing uses of $17,713,499. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased in the amount of $502,288. There were significant increases in tuition and fees revenues and intergovernmental revenues, while charges for services and sales revenues decreased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the Center had $80,242 invested in its capital assets. Table 4 shows the fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2015	2014
Furniture and Equipment	$80,242	$74,598
Totals	$80,242	$74,598

Changes in capital assets from the prior year resulted from the addition of equipment items and depreciation expense. See Note 4 of the notes to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2015, the Center did not have any outstanding debt obligations. For information regarding other long term obligations, please see Note 5 of the notes to the basic financial statements.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Al Fleckinger, Treasurer, Clermont County Educational Service Center, 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

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Clermont County Educational Service Center
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 6,824,053
Accrued Interest Receivable	2,219
Accounts Receivable	1,127,954
Intergovernmental Receivable	11,135
Prepaid Items	169,221
Noncurrent Assets:	
Depreciable Capital Assets, net	80,242
Total Assets	8,214,824
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions:	
State Teachers Retirement System	1,309,392
School Employees Retirement System	469,171
Total Deferred Outflows of Resources	1,778,563
LIABILITIES:	
Current Liabilities:	
Accounts Payable	5,423
Accrued Wages and Benefits	1,327,024
Intergovernmental Payable	402,688
Matured Compensated Absences Payable	95,002
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	52,708
Due in More Than One Year	
Net Pension Liability (see Note 6)	23,037,541
Other Amounts Due in More Than One Year	413,479
Total Liabilities	25,333,865
DEFERRED INFLOWS OF RESOURCES	
Pensions:	
State Teachers Retirement System	3,187,259
School Employees Retirement System	1,012,482
Total Deferred Inflows of Resources	4,199,741
NET POSITION:	
Net Investment in Capital Assets	80,242
Restricted for Other Purposes	19,018
Unrestricted	(19,639,479)
Total Net Position	$ (19,540,219)

The notes to the basic financial statements are an integral part of this statement.

Clermont County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 73,566	$ 37,900	$ 33,613	$ (2,053)
Special	6,509,652	6,519,562	716,055	725,965
Support Services:				
Pupils	8,828,146	8,735,698	121,533	29,085
Instructional Staff	841,459	839,599	2,603	743
Board of Education	212,988	213,002	-	14
Administration	459,121	461,079	-	1,958
Fiscal	273,084	274,113	-	1,029
Central	19,774	18,076	1,665	(33)
Operation of Non-Instructional Services	59,801	845	55,317	(3,639)
Total Governmental Activities	$ 17,277,591	$ 17,099,874	$ 930,786	753,069
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				39,035
Gifts and Donations not Restricted to Specific Programs				12,000
Investment Earnings				20,434
Miscellaneous				99,531
Total General Revenues				171,000
Change in Net Position				924,069
Net Position Beginning of Year - As Restated, See Note 17				(20,464,288)
Net Position End of Year				$ (19,540,219)

The notes to the basic financial statements are an integral part of this statement.

Clermont County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:			
Equity in Pooled Cash, Cash Equivalents and Investments	$ 6,794,751	$ 29,302	$ 6,824,053
Accrued Interest Receivable	2,219	-	2,219
Accounts Receivable	1,127,954	-	1,127,954
Prepaid Items	169,221	-	169,221
Intergovernmental Receivable	3,139	7,996	11,135
Total Assets	$ 8,097,284	$ 37,298	$ 8,134,582
LIABILITIES:			
Accounts Payable	$ 5,423	$ -	$ 5,423
Accrued Wages and Benefits	1,309,312	17,712	1,327,024
Intergovernmental Payable	401,751	937	402,688
Matured Compensated Absences Payable	95,002	-	95,002
Total Liabilities	1,811,488	18,649	1,830,137
FUND BALANCES:			
Nonspendable	169,221	-	169,221
Restricted	-	19,019	19,019
Committed	421,267	-	421,267
Assigned	59,806	-	59,806
Unassigned	5,635,502	(370)	5,635,132
Total Fund Balances	6,285,796	18,649	6,304,445
Total Liabilities and Fund Balances	$ 8,097,284	$ 37,298	$ 8,134,582

The notes to the basic financial statements are an integral part of this statement.

Clermont County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		$	6,304,445
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			80,242
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 the funds.			
Deferred outflows of resources related to pensions	1,778,563		
Deferred inflows of resources related to pensions	(4,199,741)		
Net pension liability	(23,037,541)		
Total			(25,458,719)
Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences			(466,187)
Net Position of Governmental Activities		$	(19,540,219)

The notes to the basic financial statements are an integral part of this statement.

Clermont County Educational Service Center

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2015

	General Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Intergovernmental	$ 755,090	$ 214,731	$ 969,821
Interest	20,434	-	20,434
Tuition and Fees	16,287,627	-	16,287,627
Gifts and Donations	12,000	-	12,000
Charges for Services and Sales	808,968	3,279	812,247
Miscellaneous	99,531	-	99,531
Total Revenues	17,983,650	218,010	18,201,660
EXPENDITURES:			
Current:			
Instruction:			
Regular	38,710	36,338	75,048
Special	6,680,894	-	6,680,894
Support Services:			
Pupils	8,934,811	131,384	9,066,195
Instructional Staff	840,606	2,814	843,420
Board of Education	212,198	-	212,198
Administration	443,361	-	443,361
Fiscal	273,720	-	273,720
Central	17,974	1,800	19,774
Operation of Non-Instructional Services	-	59,801	59,801
Capital Outlay	27,088	-	27,088
Total Expenditures	17,469,362	232,137	17,701,499
Excess of Revenues Over (Under) Expenditures	514,288	(14,127)	500,161
OTHER FINANCING SOURCES AND USES:			
Transfers In	-	12,000	12,000
Transfers Out	(12,000)	-	(12,000)
Total Other Financing Sources and Uses	(12,000)	12,000	-
Net Change in Fund Balances	502,288	(2,127)	500,161
Fund Balances Beginning of Year	5,783,508	20,776	5,804,284
Fund Balance at End of Year	$ 6,285,796	$ 18,649	$ 6,304,445

The notes to the basic financial statements are an integral part of this statement.

Clermont County Educational Service Center
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 500,161
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.		
Capital asset additions	27,088	
Current year depreciation	(21,444)	
Total		5,644
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,563,720
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,142,755)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences		(2,701)
Net Change in Net Position of Governmental Activities		$ 924,069

The notes to the basic financial statements are an integral part of this statement.

Clermont County Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

ASSETS:		
Equity in Pooled Cash, Cash Equivalents and Investments	$	5,385,667
Total Assets	$	5,385,667
LIABILITIES:		
Undistributed Monies	$	5,385,667
Total Liabilities	$	5,385,667

The notes to the basic financial statements are an integral part of this statement.

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NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

Description of the Entity:

The Center is a Governing Board of an Educational Service Center (the "Center") as defined by Am. Sub. H.B. 117, 121st General Assembly. The Center is an administrative entity providing supervision and certain other services to the local school districts located within Clermont County. It currently operates under an elected Board of Education (5 members) and provides special education to handicapped students. The Center has its own fiscal officer and is considered a separate entity and issues its financial statements.

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 Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations.

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2015, the Center had no component units.

The Center serves as fiscal agent for the Clermont County Insurance Consortium. Accordingly, this organization is presented as an agency fund within the Center's financial statements.

The Center is associated with one jointly governed organization, one public entity risk pool, and one insurance purchasing pool. These organizations are discussed in Note 10, Note 11, and Note 12 to the basic financial statements. These organizations are:

Jointly Governed Organization:
Hamilton/Clermont Cooperative Association

Public Entity Shared Risk Pool:
Clermont County Insurance Consortium

Insurance Purchasing Pool:
Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Fund Types:

Governmental funds are those through which all governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities and deferred inflows of resources are accounted for through governmental funds. The following is the Center's major governmental fund:

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

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

Fiduciary Fund Type:

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

B. Basis of Presentation

The 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 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 governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of 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.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources associated with the operation of the Center are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows/inflows related to net pension liabilities, and the recording of net pension liabilities.

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

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The modified accrual basis is utilized for reporting purposes by the governmental fund types. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, grants, tuition and fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Deferred Inflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center reports a deferred outflow of resources for pensions. The deferred outflows of resources related to the pensions are explained in Note 6. The Center also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts normally would consist of intergovernmental receivables which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to pensions. Deferred inflows of resources related to pensions are reported on the Statement of Net Position. (See Note 6)

D. Cash, Cash Equivalents, and Investments

To improve cash management, the Center maintains a cash and investment pool used by all funds. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the financial statements.

During fiscal year 2015, investments were limited to STAR Ohio, Federal Farm Credit Bank, FNMA Notes, FHLM Notes, and the First American Treasury Obligations Money Market Fund. Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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 $20,434.

E. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of $2,000. The Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture and Equipment	5-10 years

F. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

G. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. During the course of normal operations the Center had transactions between funds. The most significant include routine transfers of resources, from one fund to another fund, through which resources to be expended are recorded as transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

H. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

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 Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 20 years of current service with the Center and for certified employees and administrators after 20 years of service.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. 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, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. The Center had long-term obligations at June 30, 2015 as disclosed in Note 5.

J. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

As of June 30, 2015, there was no amount of net position restricted by enabling legislation.

K. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or 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 resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Center Board. Those committed amounts cannot be used for any other purpose unless the Center 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Center 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 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.

L. 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.

M. Interfund Receivables/Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.” These amounts are eliminated in the governmental activities column of the statement of net position. The Center had no interfund receivables/payables as of June 30, 2015.

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

O. 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 positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as “Equity in Pooled Cash, Cash Equivalents and Investments.” State statutes classify monies held by the Center into three categories.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

2. 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 government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

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

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

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Center's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2015, the Center's bank balance of $10,763,795 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments The Center had the following investments at June 30, 2015:

	Fair Value	Matures in Less than One Year	Matures 1 - 2 Years	Matures 2 - 5 Years
STAR Ohio	$ 493,113	$ 493,113	$ -	$ -
Federal Farm Credit Bank	110,062	110,062	-	-
FNMA Notes	489,320	-	-	489,320
FHLM Notes	415,287	-	104,846	310,441
First American Treasury Money Market Fund	1,477	1,477	-	-
Total Fair Value	$ 1,509,259	$ 604,652	$ 104,846	$ 799,761

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investment policy does not address credit risk beyond the requirements of state law. The Center limits their investments to STAR Ohio, U.S. Treasury and Agency securities, and money market funds. Investments in STAR Ohio were rated AAAm by Standard & Poor's. Investments in FNMA Notes and FHLM Notes were rated AA+ by Standard & Poor's. The First American Treasury Obligations Money Market Fund was not rated. The Federal Farm Credit Bank has been rated AA+ by Standard & Poor's.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit, U.S. Treasury and Agency Securities, or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The Center's investment policy does not address concentration of credit risk beyond the requirements of the Ohio Revised Code. The Center has invested 33 percent in STAR Ohio, 7 percent in Federal Farm Credit Bank, 32 percent in FNMA Notes, 28 percent in FHLM Notes, and less than 1 percent in the First American Treasury Obligations Money Market Fund.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center's investment policy does not address custodial credit risk beyond the requirements of state law. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance 6/30/2014	Additions	Deletions	Ending Balance 6/30/2015
Governmental Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	$381,997	$27,088	$0	$409,085
Total Capital Assets, Being Depreciated				
Less Accumulated Depreciation:				
Furniture and Equipment	(307,399)	(21,444)	0	(328,843)
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	74,598	5,644	0	80,242
Governmental Activities Capital Assets, Net	$74,598	$5,644	$0	$80,242

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$794
Special Instruction	17,769
Support Services:	
Instructional Staff	1,856
Board of Education	890
Fiscal	135
Total Depreciation Expense	$21,444

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance at 6/30/2014*	Increase	Decrease	Balance at 6/30/2015	Amount Due In One Year
Net Pension Liability					
STRS	$ 20,031,799	$ -	$ 3,215,220	$ 16,816,579	$ -
SERS	7,309,717	-	1,088,755	6,220,962	-
Total Net Pension Liability	27,341,516	-	4,303,975	23,037,541	-
Compensated Absences	463,486	1,365,661	1,362,960	466,187	52,708
Total Long-Term Liabilities	$ 27,805,002	$ 1,365,661	$ 5,666,935	$ 23,503,728	$ 52,708

* As Restated, See Note 17.

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General Fund being the most significant fund.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 17. The net pension liability has been disclosed below.

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

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

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

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

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

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

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

The Center's contractually required contribution to SERS was $413,269 for fiscal year 2015. Of this amount $51,152 is reported as an intergovernmental payable.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

The Center's contractually required contribution to STRS Ohio was $1,091,504 for fiscal year 2015. Of this amount $183,938 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$6,220,962	$16,816,579	$23,037,541
Proportion of the Net Pension Liability	0.122921%	0.06913728%	
Pension Expense	$365,844	$776,911	$1,142,755

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$52,947	$161,896	$214,843
Center contributions subsequent to the measurement date	416,224	1,147,496	1,563,720
Total	$469,171	$1,309,392	$1,778,563

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between projected and actual investment earnings	$1,009,680	$3,111,131	$4,120,811
Differences between Center contributions and proportionate share of contributions	2,802	76,128	78,930
Total	$1,012,482	$3,187,259	$4,199,741

$1,563,720 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	($239,884)	($756,341)	($996,225)
2017	(239,884)	(756,341)	(996,225)
2018	(239,884)	(756,341)	(996,225)
2019	(239,883)	(756,340)	(996,223)
Total	($959,535)	($3,025,363)	($3,984,898)

Actuarial Assumptions - SERS

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

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

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

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

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

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:

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$8,875,464	$6,220,962	$3,988,296

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$24,074,767	$16,816,579	$10,678,595

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, there is one employee that has elected Social Security. The Center's liability is 6.2 percent of wages paid.

NOTE 7 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for 2015, while 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled $0, $74,365, and $74,787 for fiscal years 2015, 2014, and 2013, respectively, which were equal to the required allocations for each year.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2015 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2015, 2014, and 2013, the actuarially required allocations were 0.74 percent, 0.76 percent, and 0.74 percent, respectively. For the Center, contributions for the fiscal years ended June 30, 2015, 2014, and 2013 were $23,370, $27,669, and $26,792, which were equal to the required contributions for each year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

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 benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent, and 0.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at $20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Center, the amounts assigned to health care, including the surcharge, during the 2015, 2014, and 2013 fiscal years equaled $80,581, $67,323, and $67,057, respectively, which equaled the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources.*

NOTE 8 – OPERATING LEASE

The Center rents office space from the Clermont County Commissioners. This lease was renewed for a period of July 1, 2014 through June 30, 2015. This lease was then renewed for the period of July 1, 2015 through June 30, 2016 with the option to renew for three subsequent one year terms. During fiscal year 2015, the Center paid $169,221 for rent. This was the amount due for fiscal year 2016 and was recorded as a prepaid item.

The Center rents space from the Williamsburg Local Board of Education for instruction and for the utilization of the gymnasium. This lease was for a period of July 2, 2014 through June 30, 2015. This lease was then renewed for the period of July 1, 2015 through June 30, 2016. During fiscal year 2015, the Center paid $200,000 for rent for the fiscal year.

The Center rents space from The Milford Exempted Village School District for the operations of the Center's CEC-North programs. This lease was for the period July 1, 2014 through June 30, 2015. This lease was then renewed for a period of July 1, 2015 through June 30, 2017. During fiscal year 2015, the Center paid $86,000 for rent for the fiscal year.

NOTE 9- RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the Center contracted with Governmental Underwriters of America for property, general liability, vehicle, and public officials' bonding.

Property ($1,000 deductible)	$670,800
Automobile liability ($250 comprehensive deductible and $500 collision deductible)	1,000,000
General liability:	
Per occurrence	1,000,000
Annual Aggregate	3,000,000

NOTE 9- RISK MANAGEMENT (Continued)

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

For fiscal year 2015, the Center participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan (Plan), an insurance purchasing pool (Note 12). The intent of the Plan is to reward participants that are able to keep their claims cost low. Members will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2015 Plan, the evaluation periods will be January 2017, January 2018 and January 2019. Refunds of assessments will be calculated by the Ohio BWC, based on the pro-rata share of the members' individual premium compared to the overall Plan premium.

Participation in the Group Retrospective Rating Plan is limited to those that can meet the programs selection criteria. The firm of Compmanagement, Inc. provides administrative, cost control and actuarial services to the Plan.

The Center is a member of the Clermont County Insurance Consortium, a public entity shared risk pool (Note 11), consisting of a number of school districts and an educational service center within the County offering health, dental, life and/or other insurance benefits to their employees. Monthly premiums are paid to the Clermont County Educational Service Center, as fiscal agent for the Clermont County Health Consortium, who in turns paid the claims on the Center's behalf. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, the Center shall have no obligation under the plan beyond paying a withdrawal fee in an amount equal to two months' premiums at the Center's then current rates. However, notification of termination from the Consortium must be at least one hundred eighty days prior to the July 1 anniversary date of the Consortium's health plan. Any claims and expenses through the anniversary date of the Consortium's health plan shall be paid from the funds of the Consortium.

NOTE 10 - JOINTLY GOVERNED ORGANIZATION

Hamilton/Clermont Cooperative Association - The Center is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 37 public school districts, educational service centers, community schools, and higher education institutes within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal distress that may cause an additional financial burden on members in the future. The Center paid H/CCA $19,773 for services provided during the year. Financial information can be obtained from the fiscal agent, Hamilton County Educational Service Center, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 11 - PUBLIC ENTITY SHARED RISK POOL

Clermont County Insurance Consortium - The Center is a member of the Clermont County Insurance Consortium, a public entity shared risk pool. A number of Clermont County school districts and the Clermont County Educational Service Center have entered into an agreement to form the Clermont County Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of health, dental, life and/or other insurance benefits for the Consortium members' employees and their dependents. The Consortium's business and affairs are managed by a Board of Directors, consisting of the superintendents (or their designee) from each of the participating school districts and the educational service center.

NOTE 11 - PUBLIC ENTITY SHARED RISK POOL (Continued)

The Center pays premiums based on what the Consortium estimates will cover the costs of all claims for which the Consortium is obligated. If the Center's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the Center's claims are low, it will not receive a refund. The Consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the current fiscal agent, Clermont County Educational Service Center at 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

NOTE 12 - INSURANCE PURCHASING POOL

Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan - The Center participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by Compmanagement. Each year, the participating members pay an enrollment fee to Compmanagement to cover the costs of administering the program.

NOTE 13 - CONTINGENCIES

A. Grants

The 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, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The Center is not party to any legal proceedings.

NOTE 14 - RECEIVABLES

Receivables at June 30, 2015, consisted of accounts (rent, billings for user charged services, and student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Major Fund	
General	$3,139
Non-major Funds	
Psychology Intern Grant	4,668
Alternative Grant	3,328
Total Non-major Funds	7,996
Total All Funds	$11,135

NOTE 15 - INTERFUND ACTIVITY

Transfers

Transfers made during the fiscal year ended June 30, 2015, were as follows:

Fund	Transfer From	Transfer To
Major Fund		
General	$ 12,000	$ -
Non-Major Fund		
Food Service	-	12,000
Total Non-Major Fund	-	12,000
Total	$ 12,000	$ 12,000

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in another fund.

NOTE 16 – ACCOUNTABILITY

At June 30, 2015, the Alternative Grant and the Miscellaneous State Grants Funds had a negative fund balances of $170 and $200, respectively. This negative fund balance is created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES

For 2015, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The impact of the application of Statements No. 68 and No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	$5,415,396
Center Share of Beginning Plan Net Pension Liability	(27,341,516)
Center Share of 2014 Employer Contributions	1,461,832
Net position, July 1, 2014-As restated	$(20,464,288)

NOTE 18 – FUND BALANCES

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

Fund Balances	General Fund	All Other Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid	$169,221	$0	$169,221
Restricted for			
Other Purposes	0	19,019	19,019
Total Restricted	0	19,019	19,019
Committed to			
Termination Benefits	421,267	0	421,267
Assigned to			
Other Purposes	59,806	0	59,806
Unassigned (Deficit)	5,635,502	(370)	5,635,132
Total Fund Balances	$6,285,796	$18,649	$6,304,445

Clermont County Educational Service Center

Required Supplementary Information

Schedule of the Center's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Two Years

	2014	2013
Total plan pension liability	$ 17,881,827,171	$ 17,247,161,078
Plan net position	12,820,884,107	11,300,482,029
Net pension liability	5,060,943,064	5,946,679,049
Center's proportion of the net pension liability	0.122921%	0.122921%
Center's proportionate share of the net pension liability	$ 6,220,962	$ 7,309,717
Center's covered-employee payroll	$ 3,756,123	$ 3,356,814
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.60%	217.80%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

Clermont County Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Years

	2014	2013
Total plan pension liability	$ 96,167,057,104	$ 94,366,693,720
Plan net position	71,843,596,331	65,392,746,348
Net pension liability	24,323,460,773	28,973,947,372
Center's proportion of the net pension liability	0.06913728%	0.06913728%
Center's proportionate share of the net pension liability	$ 16,816,579	$ 20,031,799
Center's covered-employee payroll	$ 7,064,138	$ 7,414,200
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	270.20%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Clermont County Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 413,269	$ 495,057	$ 464,583	$ 309,298	$ 504,367	$ 574,158	$ 404,538	$ 361,858	$ 353,726	$ 360,379
Contributions in relation to the contractually required contribution	(413,269)	(495,057)	(464,583)	(309,298)	(504,367)	(574,158)	(404,538)	(361,858)	(353,726)	(360,379)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 2,981,739	$ 3,756,123	$ 3,356,814	$ 2,299,613	$ 4,012,466	$ 4,240,458	$ 4,111,159	$ 3,684,908	$ 3,312,041	$ 3,406,229
Contributions as a percentage of covered employee payroll	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Clermont County Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 1,091,504	$ 918,338	$ 963,846	$ 971,627	$ 1,115,746	$ 1,107,763	$ 1,031,816	$ 925,438	$ 879,415	$ 828,507
Contributions in relation to the contractually required contribution	(1,091,504)	(918,338)	(963,846)	(971,627)	(1,115,746)	(1,107,763)	(1,031,816)	(925,438)	(879,415)	(828,507)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 7,796,457	$ 7,064,138	$ 7,414,200	$ 7,474,054	$ 8,582,662	$ 8,521,254	$ 7,937,046	$ 7,118,754	$ 6,764,731	$ 6,373,131
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Clermont County Educational Service Center

Schedule of Revenues, Expenditures and Changes

In Fund Balance - Budget and Actual (Budgetary Basis)

General Fund

For the Fiscal Year Ended June 30, 2015

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ -	$ -	$ 755,625	$ 755,625
Interest	-	-	15,760	15,760
Tuition and Fees	-	-	16,441,510	16,441,510
Gifts and Donations	-	-	12,000	12,000
Customer Sales and Services	-	-	754,646	754,646
Miscellaneous	-	-	155,400	155,400
Total Revenues	-	-	18,134,941	18,134,941
EXPENDITURES:				
Current:				
Instruction:				
Regular	85,701	39,885	39,885	-
Special	6,665,130	6,573,010	6,573,010	-
Support Services:				
Pupils	8,840,205	8,847,713	8,847,713	-
Instructional Staff	862,663	847,574	847,574	-
Board of Education	220,102	219,295	219,295	-
Administration	445,514	442,492	442,492	-
Fiscal	282,334	274,715	274,715	-
Central	27,000	17,974	17,974	-
Total Expenditures	17,428,649	17,262,658	17,262,658	-
Excess of Revenues Over (Under) Expenditures	(17,428,649)	(17,262,658)	872,283	18,134,941
OTHER FINANCING USES:				
Transfers Out	(17,500)	(512,000)	(512,000)	-
Refund of Prior Year Receipts	(31,783)	(31,783)	(31,783)	-
Total Other Financing Uses	(49,283)	(543,783)	(543,783)	-
Net Change in Fund Balance	(17,477,932)	(17,806,441)	328,500	18,134,941
Fund Balance at Beginning of Year	5,946,466	5,946,466	5,946,466	-
Prior Year Encumbrances Appropriated	32,638	32,638	32,638	-
Fund Balance at End of Year	$ (11,498,828)	$ (11,827,337)	$ 6,307,604	$ 18,134,941

See accompanying notes to the supplemental information.

NOTE 1 – BUDGETARY PROCESS

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

The Center's Governing Board does not formally approve a budget for resources estimated to be received during the fiscal year. The Treasurer prepares a budget for revenues for management tracking purposes; however, since it is not formally approved it is not shown in the accompanying budgetary schedule.

The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedule reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedule represent the final appropriation amounts passed by the Governing Board during the fiscal year.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – for the General Fund 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 that:

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

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General
GAAP Basis	$502,288
Adjustments:	
Revenue Accruals	651,291
Expenditure Accruals	(340,821)
Prospective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(421,267)
Encumbrances	(62,991)
Budget Basis	$328,500

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

Clermont County Educational Service Center
Clermont County
2400 Clermont Center Drive, Suite 100
Batavia, Ohio 45103

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 Clermont County Educational Service Center, Clermont County, Ohio (the Center) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 7, 2017, wherein we noted the Center adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 7, 2017

Dave Yost · Auditor of State

CLERMONT COUNTY EDUCATIONAL SERVICE CENTER

CLERMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 4, 2017

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