
Hamilton County Educational Service Center

Basic Financial Statements

Year Ended June 30, 2014

With Independent Auditors' Report



Dave Yost • Auditor of State

Governing Board
Hamilton County Educational Service Center
11083 Hamilton Avenue
Cincinnati, OH 45231

We have reviewed the *Independent Auditors' Report* of the Hamilton County Educational Service Center, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Hamilton County Educational Service Center:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County Educational Service Center (the Service Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County Educational Service Center as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2014, the Service Center adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton County Educational Service Center's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133 and the budgetary comparison information on pages 40 through 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and budgetary comparison information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of Hamilton County Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Hamilton County Educational Service Center's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 9, 2014

**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The discussion and analysis of Hamilton County Educational Service Center's (Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2014. 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 financial statements to enhance their understanding of the Center's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net Position of governmental activities increased \$2,135,895 which represents a 24% increase from 2013.
- General revenues accounted for \$3,398,120 in revenue or 7.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$41,941,688 or 92.5% of total revenues of \$45,339,808.
- The Center had \$43,203,913 in expenses related to governmental activities; \$41,941,688 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,398,120 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column. The General, Head Start, and Title VI-B Special Education Funds are the major funds of the Center.

Government-wide Financial Statements

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

These two statements report the Center's *net position* and changes in position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial.

In the Government-wide Financial Statements, the Center presents:

- **Governmental Activities** – All of the Center's programs and services are reported here including instruction, support services, operation of non-instructional services, and interest and fiscal charges.

Fund Financial Statements

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

Governmental Funds All 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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs.

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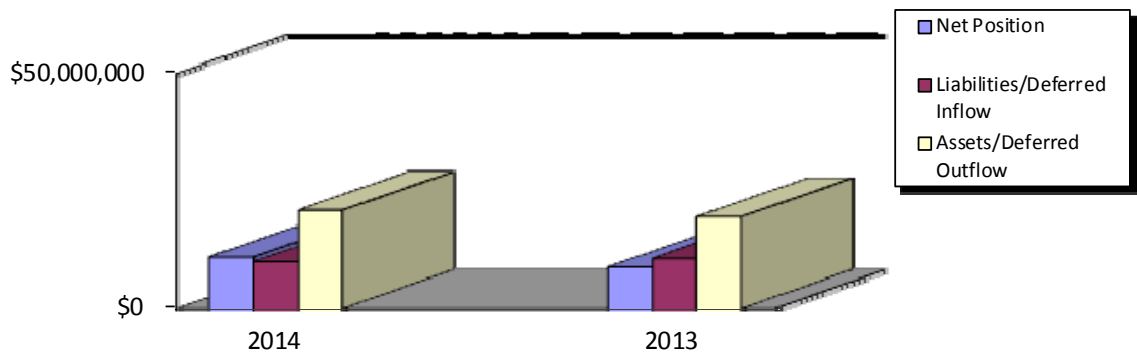
**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The Center as a Whole

As stated previously, the Statement of Net Position looks at the Center as a whole. Table 1 provides a summary of the Center's net position for 2014 compared to 2013:

**Table 1
Net Position**

	Governmental Activities	
	2014	2013
Assets:		
Current and Other Assets	\$18,503,477	\$17,026,621
Capital Assets	2,415,319	2,482,055
Total Assets	20,918,796	19,508,676
Liabilities:		
Other Liabilities	4,610,859	4,728,366
Long-Term Liabilities	5,335,009	5,943,277
Total Liabilities	9,945,868	10,671,643
Net Position:		
Net Investment in Capital Assets	375,319	393,055
Restricted	2,813,953	2,749,809
Unrestricted	7,783,656	5,694,169
Total Net Position	\$10,972,928	\$8,837,033



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Center's assets exceeded liabilities by \$10,972,928.

At year-end, capital assets represented 12% of total assets. Capital assets include land, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2014, was \$375,319. These capital assets are used to provide services to the students and are not available for future spending.

**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, \$2,813,953 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets increased from 2014 to 2013 mainly due to an increase in cash and accounts receivable in 2014. Long-term liabilities decreased mainly due to a decrease in compensated absences when compared to 2013.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues		
Charges for Services	\$33,388,754	\$31,346,299
Operating Grants, Contributions	8,552,934	8,792,365
General Revenues:		
Grants and Entitlements	3,067,510	3,169,089
Other	330,610	120,159
Total Revenues	<u>45,339,808</u>	<u>43,427,912</u>
Expenses:		
Instruction	7,224,777	7,538,827
Support Services:		
Pupil and Instructional Staff	17,048,270	17,185,595
School Administrative, General		
Administration, Fiscal and Business	6,664,593	6,297,395
Operations and Maintenance	500,859	433,340
Central	1,027,441	938,762
Operation of Non-Instructional Services	10,636,165	10,458,827
Interest and Fiscal Charges	101,808	99,963
Total Expenses	<u>43,203,913</u>	<u>42,952,709</u>
Change in Net Position	2,135,895	475,203
Net Position - Beginning of Year	<u>8,837,033</u>	<u>8,361,830</u>
Net Position - End of Year	<u><u>\$10,972,928</u></u>	<u><u>\$8,837,033</u></u>

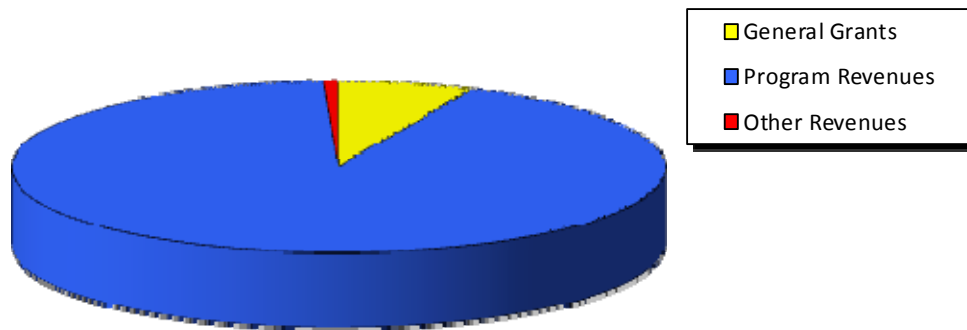
**Hamilton County Educational Service Center
 Management’s Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 (Unaudited)**

The Center revenues are mainly from three sources, fee for service, operating grants, and state foundation. Fee for service revenues are generated by providing services to districts. The Center and a district enter an agreement specifying the type and amount of service for a period of time, generally not exceeding a school year. Operating grant revenues are awarded to the Center by various state and federal agencies. State foundation revenues are given directly to the Center and are calculated based on the ADM of the districts.

The Center’s revenues are demonstrated by the following graph:

**Governmental Activities
 Revenue Sources**

		Percentage
General Grants	\$3,067,510	6.8%
Program Revenues	41,941,688	92.5%
Other Revenues	330,610	0.7%
Total Revenue Sources	<u>\$45,339,808</u>	<u>100.0%</u>



Instruction comprises 16.7% of governmental program expenses. Support services expenses were 58.4% of governmental program expenses. All other expenses including interest expense were 24.9%. Interest expense was attributable to the outstanding capital lease and borrowing for capital projects.

Grants and entitlements revenue decreased from 2013 mainly due to the loss of state funding the Center received in fiscal year 2013 compared to fiscal year 2014. Overall expenses for the current fiscal year increased slightly when compared to 2013.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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.

**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$7,224,777	\$7,538,827	(\$322,199)	(\$456,367)
Support Services:				
Pupil and Instructional Staff	17,048,270	17,185,595	(449,546)	(1,643,438)
School Administrative, General				
Administration, Fiscal and Business	6,664,593	6,297,395	788,049	408,943
Operations and Maintenance	500,859	433,340	(32,490)	(27,586)
Central	1,027,441	938,762	(50,810)	(98,586)
Operation of Non-Instructional Services	10,636,165	10,458,827	(1,093,421)	(897,048)
Interest and Fiscal Charges	101,808	99,963	(101,808)	(99,963)
Total Expenses	<u>\$43,203,913</u>	<u>\$42,952,709</u>	<u>(\$1,262,225)</u>	<u>(\$2,814,045)</u>

The Center's Major Funds

The Center has three major governmental funds: the General Fund, Head Start, and Title VI-B Special Education. Assets of the General Fund comprised \$13,222,017 (67%), Head Start comprised \$406,910 (2%), and Title VI-B Special Education comprised \$1,727,898 (9%) of the total \$19,687,420 governmental fund assets.

General Fund: Fund balance at June 30, 2014 was \$7,501,864, including \$7,174,292 of unassigned balance. Fund balance increased \$2,182,492 from 2013. The primary reason for the increase in the fund balance was due to an increase in revenues.

Head Start Fund: Fund balance at June 30, 2014 was \$33,139. The fund balance decreased \$601,460 from 2013 to 2014. The primary reason for the decrease in fund balance was mainly due to the decrease in intergovernmental revenues (grant monies received).

Title VI-B Special Education Fund: Fund balance at June 30, 2014 was (\$18,519). The fund balance increased \$421,256 from 2013 to 2014. The primary reason for the increase in fund balance was mainly due to an increase in intergovernmental revenue (grant monies received.)

General Fund Budgeting Highlights

The Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the Center revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

For the General Fund, budget final basis revenue was \$33,630,507, compared to the original budget estimates of \$33,229,983. Of the \$400,524 difference, most was due to underestimates for contract services and intergovernmental revenues for fiscal year 2014.

For the General Fund, budget final basis expenditures were \$33,816,344, compared to the original budget estimates of \$32,698,892. Of the \$1,117,452 difference, most was due to underestimates for instruction and support services expenditures for fiscal year 2014.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the Center had \$2,415,319 invested in land, buildings and improvements and equipment. Table 4 shows fiscal 2014 balances compared to 2013:

**Table 4
Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$1,398,750	\$1,398,750
Buildings and Improvements	741,535	765,166
Equipment	275,034	318,139
Total Net Capital Assets	<u>\$2,415,319</u>	<u>\$2,482,055</u>

Overall, capital assets decreased due to depreciation expense being greater than current asset additions.

See Note 5 to the Basic Financial Statements for further details on the Center's capital assets.

Debt

At June 30, 2014, the Center had \$2,040,000 in debt outstanding, \$51,000 due within one year.

Table 5 summarizes debt outstanding.

**Table 5
Outstanding Debt, at Year-End**

	Governmental Activities	
	2014	2013
HCESC Building Capital Lease	\$2,040,000	\$2,089,000

**Hamilton County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

See Notes 6 and 7 to the Basic Financial Statements for further details in the Center's long-term liabilities.

For the Future

As the preceding shows, the Center relies heavily on contracts with local, city, and exempted village school districts in Hamilton County, state foundation revenue and grants. Contracts with Hamilton County districts are expected to increase in future years due to additional service requests from districts. These contracts, along with the Center's cash balance will provide the Center with the necessary funds to meet its operating expenses in future years.

As of the time of this report, the Ohio Department of Education is researching a model for a regional delivery system and the implementation of such a system. This new Ohio Regional Delivery System will directly affect the Centers and the method to which they are funded. At this point, the Center is unable to determine what effect this legislation will have on future state funding and on its financial operations.

In May 2000, the Ohio Supreme Court again ruled the school funding system in Ohio is far too dependent on property taxes which are inherently not "equitable" nor "adequate." The court directed the Governor and the legislature to address the fundamental issues creating the inequities. Any change in the funding will indirectly affect the Center's since the districts are their main revenue stream. Currently, the Center is unable to determine the outcome of the Court's directive.

All of the Center's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the Center's finances, the Center's management is confident that the Center can continue to provide quality products and services to the districts in the future.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer/Chief Financial Officer at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

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Hamilton County Educational Service Center
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$13,055,165
Receivables:	
Accounts	3,317,012
Interest	13,578
Intergovernmental	1,807,537
Loan	300,000
Inventory	10,185
Nondepreciable Capital Assets	1,398,750
Depreciable Capital Assets, Net	<u>1,016,569</u>
 Total Assets	 <u>20,918,796</u>
Liabilities:	
Accounts Payable	231,784
Accrued Wages and Benefits	4,371,272
Accrued Interest Payable	7,803
Long-Term Liabilities:	
Due Within One Year	265,548
Due In More Than One Year	<u>5,069,461</u>
 Total Liabilities	 <u>9,945,868</u>
Net Position:	
Net Investment in Capital Assets	375,319
Restricted for:	
State Grants	437,505
Federal Grants	1,370,940
Other Grants	1,005,508
Unrestricted	<u>7,783,656</u>
 Total Net Position	 <u><u>\$10,972,928</u></u>

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Special	\$7,183,431	\$6,789,692	\$73,482	(\$320,257)
Vocational	41,346	39,404	0	(1,942)
Support Services:				
Pupil	8,401,492	7,759,923	76,911	(564,658)
Instructional Staff	8,646,778	5,363,643	3,398,247	115,112
General Administration	50,887	41,369	0	(9,518)
School Administration	4,981,016	5,158,153	735,245	912,382
Fiscal	1,094,794	673,947	365,531	(55,316)
Business	537,896	478,397	0	(59,499)
Operations and Maintenance	500,859	299,017	169,352	(32,490)
Central	1,027,441	888,197	88,434	(50,810)
Operation of Non-Instructional Services	10,636,165	5,897,012	3,645,732	(1,093,421)
Interest and Fiscal Charges	101,808	0	0	(101,808)
Totals	\$43,203,913	\$33,388,754	\$8,552,934	(1,262,225)

General Revenues:	
Grants and Entitlements, Not Restricted	3,067,510
Investment Earnings	65,896
Other Revenues	264,714
Total General Revenues	3,398,120
Change in Net Position	2,135,895
Net Position - Beginning of Year	8,837,033
Net Position - End of Year	\$10,972,928

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2014

	General	Head Start	Title VI-B Special Education	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$8,397,299	\$295,545	\$841,787	\$3,520,534	\$13,055,165
Receivables:					
Accounts	3,317,012	0	0	0	3,317,012
Interest	13,578	0	0	0	13,578
Intergovernmental	0	111,365	886,111	810,061	1,807,537
Loan	300,000	0	0	0	300,000
Interfund	1,183,943	0	0	0	1,183,943
Inventory	10,185	0	0	0	10,185
Total Assets	13,222,017	406,910	1,727,898	4,330,595	19,687,420
Liabilities:					
Accounts Payable	33,217	78,600	6,671	113,296	231,784
Accrued Wages and Benefits	3,874,040	267,858	92,281	137,093	4,371,272
Compensated Absences	167,477	0	0	0	167,477
Interfund Payable	0	27,313	761,354	395,276	1,183,943
Total Liabilities	4,074,734	373,771	860,306	645,665	5,954,476
Deferred Inflows of Resources:					
Grants	0	0	886,111	668,110	1,554,221
Unavailable Revenue	1,639,589	0	0	0	1,639,589
Investment Earnings	5,830	0	0	0	5,830
Total Deferred Inflows of Resources	1,645,419	0	886,111	668,110	3,199,640
Fund Balances:					
Nonspendable	10,185	0	0	0	10,185
Restricted	0	33,139	0	1,617,018	1,650,157
Committed	300,000	0	0	0	300,000
Assigned	17,387	0	0	1,530,384	1,547,771
Unassigned	7,174,292	0	(18,519)	(130,582)	7,025,191
Total Fund Balances	7,501,864	33,139	(18,519)	3,016,820	10,533,304
Total Liabilities, Deferred Inflows and Fund Balances	\$13,222,017	\$406,910	\$1,727,898	\$4,330,595	\$19,687,420

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$10,533,304

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.

Capital assets used in the operation of Governmental Funds 2,415,319

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Accounts Receivable	1,339,589	
Interest	5,830	
Intergovernmental	1,554,221	
Other Receivables	<u>300,000</u>	
		3,199,640

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources.

(7,803)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (3,127,532)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds.

(2,040,000)

Net Position of Governmental Activities

\$10,972,928

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Head Start	Title VI-B Special Education	Other Governmental Funds	Total Governmental Funds
Revenues:					
Tuition and Fees	\$670,924	\$0	\$0	\$0	\$670,924
Investment Earnings	68,900	0	0	0	68,900
Intergovernmental	3,067,510	3,979,153	2,240,155	2,937,855	12,224,673
Charges for Services	0	0	0	1,058,520	1,058,520
Contract Services	31,517,837	0	0	0	31,517,837
Other Revenues	235,814	0	0	28,902	264,716
Total Revenues	35,560,985	3,979,153	2,240,155	4,025,277	45,805,570
Expenditures:					
Current:					
Instruction:					
Special	7,153,466	0	0	61,807	7,215,273
Vocational	41,907	0	0	0	41,907
Support Services:					
Pupil	8,334,728	0	0	56,950	8,391,678
Instructional Staff	5,300,070	0	1,533,435	1,774,421	8,607,926
General Administration	36,545	0	0	0	36,545
School Administration	3,712,756	168,925	0	1,046,693	4,928,374
Fiscal	682,757	140,810	152,530	117,172	1,093,269
Business	515,036	0	0	0	515,036
Operations and Maintenance	317,054	0	100,000	99,073	516,127
Central	951,311	0	32,934	32,300	1,016,545
Operation of Non-Instructional Services	6,181,867	4,270,878	0	288,607	10,741,352
Debt Service:					
Principal Retirement	49,000	0	0	0	49,000
Interest and Fiscal Charges	101,996	0	0	0	101,996
Total Expenditures	33,378,493	4,580,613	1,818,899	3,477,023	43,255,028
Net Change in Fund Balance	2,182,492	(601,460)	421,256	548,254	2,550,542
Fund Balance - Beginning of Year	5,319,372	634,599	(439,775)	2,468,566	7,982,762
Fund Balance - End of Year	\$7,501,864	\$33,139	(\$18,519)	\$3,016,820	\$10,533,304

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds		\$2,550,542
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	39,290	
Depreciation Expense	<u>(101,595)</u>	(62,305)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(4,431)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Accounts	141,472	
Interest	(3,004)	
Intergovernmental	<u>(604,230)</u>	(465,762)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		49,000
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		188
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.		
Compensated Absences		<u>68,663</u>
Change in Net Position of Governmental Activities		<u><u>\$2,135,895</u></u>
See accompanying notes to the basic financial statements.		

Hamilton County Educational Service Center
Statement of Assets and Liabilities
Fiduciary Fund
June 30, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$5,051,247
Receivables:	
Accounts	<u>274,715</u>
Total Assets	<u><u>5,325,962</u></u>
Liabilities:	
Accounts Payable	520,399
Other Liabilities	<u>4,805,563</u>
Total Liabilities	<u><u>\$5,325,962</u></u>

See accompanying notes to the basic financial statements.

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

Note 1 - Description of the Center

The Hamilton County Educational Service Center (the "Center") serves the territories contained within the territorial limits of the local school districts that are not otherwise classified as city or exempted village school districts in Hamilton County, Ohio. The local districts consist of Finneytown whose territories consist of Springfield Township and a portion of the City of Cincinnati; Forest Hills consisting of Anderson Township including the Village of Newtown; Northwest consisting of all or parts of Colerain, Green and Springfield Townships, and portions of the Cities of Forest Park and North College Hill, and as well, a small portion of Fairfield Township in Butler County; Oak Hills which consists of all or parts of Delhi and Green Townships and a portion of the City of Cincinnati; Southwest which consists of Crosby, Harrison and Whitewater Townships including the City of Harrison, and as well, a small portion of Morgan Township in Butler county; Three Rivers consisting of Miami Township including the Villages of Addyston, Cleves and North Bend; and, Lockland consisting of the Villages of Arlington Heights and Lockland.

The Center's Governing Board is comprised of five members who are resident electors of the Member School District. At the time of election or appointment, every effort is made to broadly represent the electorate of the school system. Historically, five of the seven local districts on a rotational basis have been represented on the Board. Frequently the Board communicates with members of the local-district boards to learn of their wishes regarding development of policy, services that are consistent with trends, and program developments related to the vocational joint venture for which the five board members serve as representative delegates. The Board has consistently been a participating member of the Ohio School Boards Association to which several members provide leadership.

In addition to the seven local districts in Hamilton County, city districts, namely, Cincinnati, Deer Park, Winton Woods, Loveland, Madeira, Mariemont, Mt. Healthy, North College Hill, Norwood, Princeton, Reading Community, St. Bernard-Elmwood Place, Sycamore Community, Wyoming, Mason and the Exempted Village District of Indian Hill as well as the Great Oaks Institute of Technology and Career Development have one or another types of cooperative service agreements with the Center.

The Office of the Board is regularly referred to as the Center which is housed in a separate, modern facility in a complex known as Civic Center North. The Center serves as the central office for the Hamilton County Educational Service Center Superintendent of Schools and has staff of approximately 520 certificated and non-certificated support employees.

Reporting Entity

For financial reporting purposes the Center's financial statements include all funds of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. Potential component units were also considered for inclusion in the financial report. Component units are legally separate organizations for which the elected officials of a primary government are financially accountable. The Center would consider an organization to be a component unit if:

1. The Center appointed a voting majority of the organization's governing body and (a) was able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial burdens on the Center; or

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

2. The organization was fiscally dependent upon the Center; or
3. The nature of the relationship between the Center and the organization was such that the exclusion from the financial reporting entity would render the financial statements of the Center misleading.

The Center included no component units in the financial report.

The Center provides fiscal agent service to the Hamilton/Clermont Cooperative Association (H/CCA), 7615 Harrison Avenue, Cincinnati, Ohio 45231 and the Center for Collaborative Solutions, a regional council of governments as disclosed in Note 15. H/CCA is one of 23 regional Information Technology Centers (ITC) established by the state of Ohio. H/CCA is a member of the Ohio Educational Computer Network. H/CCA provides data and Internet services for public and non-public schools in Greater Cincinnati Metropolitan Area. This includes collection and distribution of data for financial, student and media services. H/CCA also provides technical and networking service to affiliate schools.

The Site Director and his staff manages the day-to-day affairs of H/CCA. A Board of Directors, composed of member school's superintendents, approves the long term path for the site, as determined by the Site Director and an Executive Committee composed of five superintendents and two treasurers from member schools.

Note 2 - Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

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.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Center are included on the statement of net position. Fiduciary Funds are not included in government-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and 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 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, with certain limited exceptions.

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements

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 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance. The following are the Center's major governmental funds:

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

Head Start Fund – The head start fund is used to account for all financial resources that are associated with the head start program.

Title VI-B Special Education – The Title VI-B special education fund is used to account for federal monies provided to support programs for students with disabilities.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodian

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's only fiduciary funds are Agency funds (data center, SWOOSH Consortium, and unified purchasing co-op) which accounts for assets and liabilities generated by the data center and the unified purchasing co-op.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, included 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 year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include grants and

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

unavailable revenues. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Center has, by resolution, specified the funds to receive an allocation of interest earnings.

For presentation on the financial statements, all investments and deposits are reported as "Equity in Pooled Cash and Investments".

During the fiscal year, the Center held donated stock which is held at fair value. The fair value is based on quoted market prices.

Inventory

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis and are expended/expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption.

Capital Assets

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

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

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 50 years
Equipment	5 - 20 years

Compensated Absences

The Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

Compensated absences are recognized in governmental fund financial statements, when they are due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The Center's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u> (261 day employees only)	<u>Non-Certificated</u> (261 day employees only)
Earned Monthly	Not Eligible	10-20 days depending on length of contract	10-20 days for each service year depending on length of service
Maximum Accumulation	N/A	3 days paid at end of each school year at current Daily Rate	3 days paid at end of each school year at current Daily Rate
Vested	N/A	As Earned	As Earned

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

Term	N/A	100% of Daily Rate of Accum.Vac.	100% of Daily Rate of Accum. Vac.
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Earned Monthly	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4days per/month of employment (15 days per year)
Maximum Accumulation	250	250	250
Vested	As Earned	As Earned	As Earned
<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
Termination Entitlement At Retirement	25% of Accum. unused sick leave max 62.5 days X current daily rate.	25% of Accum. unused sick leave max 62.5 days X current daily rate.	25% of Accum. unused sick leave max 62.5 days X current daily rate.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation less outstanding debt used to acquire capital assets. 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 when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Center's \$2,813,953 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Governing Board. Formal action by the Board of Education is needed to commit or rescind resources.

Assigned – resources that are intended to be used for specific purposes as approved through the Center's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The Center considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Note 3 - Equity in Pooled Cash 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 combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the Center into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the Center. Such monies must by law be maintained either as cash in the Center treasury, in depository accounts payable or withdrawable on demand.

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Center's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$12,518,364 of the Center's bank balance of \$13,268,364 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2014, the Center had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Stocks*	\$75,163	0.00
Money Market Funds	85,512	0.00
Federal Home Loan Bank	590,815	1.53
Federal Home Loan Mortgage - Discount Note	284,979	0.18
Federal Home Loan Mortgage Corporation	1,779,589	2.59
Federal Farm Credit Bank	135,153	1.35
Federal National Mortgage Association	2,152,994	2.72
U.S. Treasury Notes	506,411	1.57
	<u>\$5,610,616</u>	
Portfolio Weighted Average Maturity		2.21

* The amount of \$75,163 was donated stock by a private individual.

Interest Rate Risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Credit Risk – It is the Center’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The Center’s investments in Money Market Funds, Federal Home Loan Bank, Federal Home Loan Mortgage – Discount Note, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank and Federal National Mortgage Association were rated AA+ by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. U.S. Treasury Notes are not rated.

Concentration of Credit Risk – The Center places no limit on the amount it may invest in any one issuer. 1% of the Center’s investments at fiscal year end were in Stock, less than 1% in Money Market Funds, 11% in Federal Home Loan Bank, 5% in Federal Home Loan Mortgage – Discount Note, 33% in Federal Home Loan Mortgage Corporation, 39% in Federal National Mortgage Association, 2% in Federal Farm Credit Bank, and 9% in U.S. Treasury Notes.

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. 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 – Receivables

Receivables at June 30, 2014, consisted of accounts, interest, intergovernmental grants and interfund. All receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$1,398,750	\$0	\$0	\$1,398,750
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	942,250	0	0	942,250
Equipment	1,711,374	39,290	13,151	1,737,513
Totals at Historical Cost	<u>4,052,374</u>	<u>39,290</u>	<u>13,151</u>	<u>4,078,513</u>
Less Accumulated Depreciation:				
Buildings and Improvements	177,084	23,631	0	200,715
Equipment	1,393,235	77,964	8,720	1,462,479
Total Accumulated Depreciation	<u>1,570,319</u>	<u>101,595</u>	<u>8,720</u>	<u>1,663,194</u>
Governmental Activities Capital Assets, Net	<u>\$2,482,055</u>	<u>(\$62,305)</u>	<u>\$4,431</u>	<u>\$2,415,319</u>

**Hamilton County Educational Service Center
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$30,623
Support Services:	
Instructional Staff	1,292
General Administration	14,342
School Administration	27,071
Business	1,145
Operations and Maintenance	4,059
Central	638
Operation of Non-Instructional Services	<u>22,425</u>
Total Depreciation Expense	<u><u>\$101,595</u></u>

Note 6 - Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:					
Capital Lease Payable:					
HCESC Building	<u>\$2,089,000</u>	<u>\$0</u>	<u>\$49,000</u>	<u>\$2,040,000</u>	<u>\$51,000</u>
Total Long-Term Debt	<u>2,089,000</u>	<u>0</u>	<u>49,000</u>	<u>2,040,000</u>	<u>51,000</u>
Compensated Absences	<u>3,854,277</u>	<u>265,850</u>	<u>825,118</u>	<u>3,295,009</u>	<u>214,548</u>
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$5,943,277</u></u>	<u><u>\$265,850</u></u>	<u><u>\$874,118</u></u>	<u><u>\$5,335,009</u></u>	<u><u>\$265,548</u></u>

Compensated Absences will be paid from the fund from which the person is paid. The lease will be paid from the general fund.

Note 7 - Capital Leases

The Center is leasing its administrative building from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the building during the lease term. Columbus Regional Airport Authority assigned U.S. Bank National Association as trustee. U.S. Bank National Association deposited \$2,341,000 in the Center's name for the purchase of the building. The lease is renewable annually and expires in 2036. The intention of the Center is to renew the lease annually.

The Center began making principal payments in fiscal year 2008. The principal amount owed on the lease at year end is \$2,040,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the lease, locking in the rate at 4.59% plus an annual administrative fee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014.

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
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Fiscal Year Ending June 30,	Long-Term Debt
2015	\$146,497
2016	147,008
2017	146,401
2018	146,675
2019	145,830
2020-2024	728,769
2025-2029	727,649
2030-2034	724,020
2035-2037	431,152
Total Minimum Lease Payments	3,344,001
Less: Amount Representing Interest	(1,262,615)
Less: Additional Program Cost Component	(41,386)
Present Value of Minimum Lease Payments	<u>\$2,040,000</u>

Note 8 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the Center is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Center's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$2,081,190, \$2,010,917, and \$1,908,012, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of

Hamilton County Educational Service Center
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For The Fiscal Year Ended June 30, 2014

STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to 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. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
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Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Center's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$5,237,292, \$4,965,454, and \$4,631,272, respectively; 94% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 9- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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 (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

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 year 2014, the actuarially required allocation was .76%. Center contributions for the years ended June 30, 2014, 2013 and 2012 were \$112,979, \$106,291, and \$102,215, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 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 HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment 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% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was .14%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$20,812, \$22,982, and \$74,958, respectively.

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 on 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 *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Ohio law authorized 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 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 health care plan enrollees, 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 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The Center contributions for the years ended June 30, 2014, 2013, and 2012 were \$374,092, \$354,675, and \$330,805, 94% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 10 - Contingent Liabilities

Grants

The Center receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Center as of June 30, 2014.

Litigation

The Center's attorney estimates that all other potential claims against the Center not covered by insurance resulting from all other litigation would not materially affect the financial statements of the Center.

Note 11 - 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. The Center carries insurance coverage with the following companies.

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Notes to the Basic Financial Statements
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<u>COVERAGE</u>	<u>COMPANY</u>
Automobile	The Argonaut Insurance Company
Property	The Argonaut Insurance Company
General Liability	The Argonaut Insurance Company

Limits and deductible amounts for the above policies vary accordingly.

<u>COVERAGE</u>	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
Automobile	\$1,000,000 each occurrence	\$500 collision
Property	\$1,000,000 each occurrence	\$500 each loss
General Liability	\$1,000,000 each occurrence \$2,000,000 general aggregate	

The Center pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

Note 12 - State Funding

The Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from both State and local resources.

Part (B) of the budget is provided by the school districts to which the Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of average daily memberships of all of the school districts served by the Center by \$31. This amount is provided from State resources.

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

Note 13 – Accountability

The following individual funds had a deficit in fund balance at year end:

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

	<u>Amounts</u>
Title VI-B Special Education	\$18,519
Other Government Funds:	
IDEA Preschool Grant	35,422
Race to the Top	85,886
Improving Teacher Quality	9,274

The deficits in fund balances were primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 14 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following interfund receivables and interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$1,183,943	\$0
Head Start Fund	0	27,313
Title VI-B Special Education	0	761,354
Other Governmental Funds	0	395,276
	<u>0</u>	<u>1,183,943</u>
Total All Funds	<u>\$1,183,943</u>	<u>\$1,183,943</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 15 - Jointly Governed Organization

Hamilton/Clermont Cooperative Association

The Hamilton/Clermont Cooperative Association (HCCA) is a governmental jointly governed organization consisting of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools support HCCA and shares in a percentage of equity based on the resources provided. HCCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. The Board consists of one representative from each of the participating 31 school districts.

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

Unified Purchasing Cooperative

The Unified Purchasing Cooperative is comprised of over 50 public school district's and nearly 90 non-public schools in Brown, Butler, Clermont, Hamilton (OH); Boone, Campbell, Kenton (KY); Dearborn, Ohio, Ripley (IN) counties; 4 Educational Service Centers, 2 Head Start Programs, 2 MRDD's and the Diocese of Covington.

By aggregating the requirements of its members, each member's purchasing power increases and as a result Unified Purchasing Cooperative is able to obtain the best prices for quality products and services.

Center for Collaborative Solutions, A Regional Council of Governments

The Center for Collaborative Solutions, A Regional Council of Governments (the "COG"), is a body Corporate and Politic established pursuant to Ohio Revised Code Chapter 167, by agreement of its members. The COG is a collaborative between Hamilton County Educational Service Center and Clermont County Educational Service Center. The COG is currently providing services for twenty-four member school districts and other entities in Hamilton County and Clermont County, principally providing substitute teachers and substitute classified personnel. Hamilton County Educational Service Center acts as a fiscal officer for the COG.

The governing authority of The Center for Collaborative Solutions (COG) is the COG Board, which is comprised of two superintendents, two board members and one treasurer. All members are from The Hamilton County ESC and Clermont County ESC. The Officer positions of the COG Board are President, Vice-President and Secretary. Currently, the Clermont County ESC Superintendent is appointed President and the Hamilton County ESC Superintendent is appointed Vice President. The ESCs rotate those positions as determined by the COG Board. All other officers serve until his/her successor is appointed.

SWOOSH Consortium

SWOOSH is a health and wellness consortium for school districts and government agencies that come together to provide stability and quality access to health care and benefits to all eligible members. SWOOSH will do this by leveraging economies of scale, commonality of choices and driving wellness and health management by collaborative efforts of all participating agencies.

The objective of the SWOOSH consortium is to maximize benefits and / or reduce costs of medical, prescription drug, vision, dental, life and / or other group insurance coverages. While the consortium serves short term savings needs, in the long term it will promote rate stability and allow the districts to move to a healthier place using wellness.

Working together to purchase group insurance allows the districts to pool their members. With more members on the plan, the consortium can leverage the larger scale of the entire group and work toward obtaining the most competitive rates while securing unique wellness offers and additional investments to better manage long term costs. For example, the SWOOSH consortium has a dedicated wellness nurse, wellness dollars for each district and is creating district health scorecards to help improve the overall health and wellness of all employees.

Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 16 - Claims Servicing Pool

The Center participates in Greater Cincinnati Insurance Consortium (GCIC) Self-Insurance Program, a shared risk pool, comprised of other area school districts. Each member pays an administrative fee to the pool. Each school district has a representative on the assembly (usually the superintendent or designee).

Note 17 –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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Head Start	Title VI-B Special Education	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$10,185	\$0	\$0	\$0	\$10,185
Total Nonspendable	10,185	0	0	0	10,185
Restricted for:					
Head Start Program	0	33,139	0	0	33,139
Local Grants	0	0	0	1,041,492	1,041,492
Data Communication	0	0	0	12	12
Miscellaneous State Grants	0	0	0	365,726	365,726
Title I Disadvantaged Children	0	0	0	7,622	7,622
Miscellaneous Federal Grants	0	0	0	201,778	201,778
Refugee School Impact Grant	0	0	0	388	388
Total Restricted	0	33,139	0	1,617,018	1,650,157
Committed to:					
Termination Benefits	300,000	0	0	0	300,000
Total Committed	300,000	0	0	0	300,000
Assigned to:					
Permanent Improvements	0	0	0	230,384	230,384
Capital Projects	0	0	0	1,300,000	1,300,000
Encumbrances	17,387	0	0	0	17,387
Total Assigned	17,387	0	0	1,530,384	1,547,771
Unassigned (Deficit)	7,174,292	0	(18,519)	(130,582)	7,025,191
Total Fund Balance	\$7,501,864	\$33,139	(\$18,519)	\$3,016,820	\$10,533,304

**Hamilton County Educational Service Center
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014**

Note 18 – Change in Accounting Principles

The Center adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Center.

Hamilton County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$662,934	\$670,924	\$670,924	\$0
Investment Earnings	55,532	56,201	56,201	0
Intergovernmental	3,030,977	3,067,510	3,067,510	0
Charges for Services	29,247,534	29,600,058	29,600,058	0
Other Revenues	233,006	235,814	235,814	0
Total Revenues	33,229,983	33,630,507	33,630,507	0
Expenditures:				
Current:				
Instruction:				
Special	6,969,725	7,207,908	7,207,908	0
Vocational	40,325	41,703	41,703	0
Support Services:				
Pupil	7,935,311	8,206,492	8,206,492	0
Instructional Staff	5,173,846	5,350,657	5,350,657	0
General Administration	42,152	43,593	43,593	0
School Administration	4,008,637	4,145,628	4,145,628	0
Fiscal	657,841	680,322	680,322	0
Business	486,186	502,801	502,801	0
Operations and Maintenance	304,656	315,067	315,067	0
Central	907,375	938,384	938,384	0
Operation of Non-Instructional Services	6,026,832	6,232,793	6,232,793	0
Capital Outlay	146,006	150,996	150,996	0
Total Expenditures	32,698,892	33,816,344	33,816,344	0
Excess of Revenues Over (Under) Expenditures	531,091	(185,837)	(185,837)	0
Other Financing Sources (Uses):				
Advances In	1,691,499	1,711,887	1,711,887	0
Advances (Out)	(1,177,086)	(1,217,312)	(1,217,312)	0
Total Other Financing Sources (Uses)	514,413	494,575	494,575	0
Net Change in Fund Balance	1,045,504	308,738	308,738	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,439,656	7,439,656	7,439,656	0
Fund Balance End of Year	\$8,485,160	\$7,748,394	\$7,748,394	\$0

See accompanying notes to the supplementary information.

Hamilton County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Title VI-B Special Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$2,341,374	\$2,248,140	\$2,248,141	\$1
Total Revenues	<u>2,341,374</u>	<u>2,248,140</u>	<u>2,248,141</u>	<u>1</u>
Expenditures:				
Current:				
Support Services:				
Instructional Staff	2,091,138	1,999,755	2,437,483	(437,728)
Fiscal	137,327	131,326	160,072	(28,746)
Operations and Maintenance	85,791	82,042	100,000	(17,958)
Central	27,918	26,698	32,542	(5,844)
Total Expenditures	<u>2,342,174</u>	<u>2,239,821</u>	<u>2,730,097</u>	<u>(490,276)</u>
Excess of Revenues Over (Under) Expenditures	<u>(800)</u>	<u>8,319</u>	<u>(481,956)</u>	<u>(490,275)</u>
Other Financing Sources (Uses):				
Advances In	792,928	761,354	761,354	0
Advances (Out)	(512,683)	(490,278)	(597,596)	(107,318)
Total Other Financing Sources (Uses)	<u>280,245</u>	<u>271,076</u>	<u>163,758</u>	<u>(107,318)</u>
Net Change in Fund Balance	279,445	279,395	(318,198)	(597,593)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>318,202</u>	<u>318,202</u>	<u>318,202</u>	<u>0</u>
Fund Balance End of Year	<u>\$597,647</u>	<u>\$597,597</u>	<u>\$4</u>	<u>(\$597,593)</u>

See accompanying notes to the supplementary information.

Hamilton County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Head Start Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$4,140,551	\$4,438,023	\$4,438,024	\$1
Total Revenues	4,140,551	4,438,023	4,438,024	1
Expenditures:				
Current:				
Support Services:				
School Administration	75,694	179,914	190,789	(10,875)
Fiscal	52,410	124,573	132,103	(7,530)
Operation of Non-Instructional Services	1,735,955	4,126,147	4,375,555	(249,408)
Total Expenditures	1,864,059	4,430,634	4,698,447	(267,813)
Excess of Revenues Over (Under) Expenditures	2,276,492	7,389	(260,423)	(267,812)
Other Financing Sources (Uses):				
Advances In	25,482	27,313	27,313	0
Advances (Out)	(112,672)	(267,806)	(283,994)	(16,188)
Total Other Financing Sources (Uses)	(87,190)	(240,493)	(256,681)	(16,188)
Net Change in Fund Balance	2,189,302	(233,104)	(517,104)	(284,000)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	630,016	630,016	630,016	0
Fund Balance End of Year	\$2,819,318	\$396,912	\$112,912	(\$284,000)

See accompanying notes to the supplementary information.

**Hamilton County Educational Service Center
Notes to the Supplementary Information
For The Fiscal Year Ended June, 30, 2014**

Note 1 – Budgetary Process

The Center, with the passing of House Bill 95, is no longer required to certify a budget to the State Department of Education. However, the Center’s Board approves a budget for governmental funds on or before the start of the new fiscal year, which includes estimated resources and expenditures.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Center’s Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
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 for all funds (budget basis) rather than as assigned to a fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Head Start Fund, and Title VI-B Special Education Fund:

	Net Change in Fund Balance		
	General	Head Start	Title VI-B Special Education
GAAP Basis	\$2,182,492	(\$601,460)	\$421,256
Revenue Accruals	(1,930,478)	458,871	7,986
Expenditure Accruals	(419,272)	64,794	(69,419)
Advances In	1,711,887	27,313	761,354
Advances Out	(1,217,312)	(283,994)	(597,596)
Encumbrances	(18,579)	(182,628)	(841,779)
Budget Basis	\$308,738	(\$517,104)	(\$318,198)

HAMILTON COUNTY EDUCATIONAL SERVICE CENTER
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Child & Adult Care Food Program	525-9106	10.558	\$ 317,205	320,175
Total U.S. Department of Agriculture			<u>317,205</u>	<u>320,175</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	572-9927	84.010	43,675	43,836
ARRA- Race to the Top (RttT):				
RttT - TeachOhio	506-9933	84.395	192,216	162,987
RttT - eTPES	506-9962	84.395	27,206	40,115
RttT - Regional Formative Instruction Specialist	506-9959	84.395	502,568	421,690
RttT - High School Higher Education Alignment Initiative	506-9956	84.395	28,930	61,400
RttT - Ohio Principal Evaluation System	506-9934	84.395	12,000	11,250
RttT - Student Growth	506-9960	84.395	175,461	160,645
RttT - Resident Educator Program	506-9977	84.395	1,400	1,400
RttT - Beginning Principal Mentorship Program	506-9963	84.395	28,188	91,380
Total ARRA - Race to the Top			<u>967,969</u>	<u>950,867</u>
Race to the Top - Early Learning Challenge	599-9978	84.412	14,238	19,560
Special Education- State Personnel Development	599-9970	84.323	44,909	77,790
English Language Acquisition Grants	551-9968	84.365	81,034	81,021
Improving Teacher Quality State Grants	590-9969	84.367	302,762	299,100
Special Education Cluster:				
Special Education - Grants to States	516-9954	84.027	2,248,141	1,888,321
Special Education - Preschool Grants	587-9964	84.173	75,894	49,792
Total Special Education Cluster			<u>2,324,035</u>	<u>1,938,113</u>
Total U.S. Department of Education			<u>3,778,622</u>	<u>3,410,287</u>
<u>U.S. Department of Health & Human Services:</u>				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Refugee and Entrant Assistance-Discretionary Grants	571-9976	93.576	2,333	25,446
<i>(Passed through Cincinnati-Hamilton Co. Community Action Agency)</i>				
Head Start	525-9974	93.600	4,120,819	4,195,637
Total U.S. Department of Health & Human Services			<u>4,123,152</u>	<u>4,221,083</u>
<u>Institute of Muesuem and Library Services:</u>				
<i>(Passed through State Library of Ohio)</i>				
Library Services and Technology Act - State Grants	599-9940	45.310	2,434	2,897
Total Institute of Muesuem and Library Services			<u>2,434</u>	<u>2,897</u>
Total Federal Awards			\$ <u>8,221,413</u>	<u>7,954,442</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Hamilton County Educational Service Center:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County Educational Service Center ("Service Center") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements, and have issued our report thereon dated December 9, 2014, wherein we noted the Service Center adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Service Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2014-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Service Center's Response to the Finding

The Service Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Service Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Service Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 9, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Hamilton County Educational Service Center:

Report on Compliance for Each Major Federal Program

We have audited Hamilton County Educational Service Center's ("Service Center") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Service Center's major federal programs for the year ended June 30, 2014. The Service Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Service Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Service Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of the Service Center is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Service Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 9, 2014

HAMILTON COUNTY EDUCATIONAL SERVICE CENTER
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>CFDA 93.600 – Head Start</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

Finding 2014-001 – Audit Adjustment

Condition – Throughout the year, the Service Center maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. During the course of our audit, we identified a misstatement in the financial statements that was not initially identified by the Service Center’s internal control over financial reporting. The audit adjustment was necessary to correctly record a transaction in the proper fund on the financial statements.

Recommendation – We recommend the Service Center enhance its internal controls over financial reporting with steps such as management’s review of conversion documentation for completeness and accuracy and improved communication with its hired consultants to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

Management response: *Management concurs with the finding.*

Section III – Federal Award Findings and Questioned Costs

None Noted

HAMILTON COUNTY EDUCATIONAL SERVICE CENTER
Schedule of Prior Audit Findings
Year Ended June 30, 2014

Finding 2013-1 – Audit Adjustments

Prior Year Condition: Throughout the year, the Service Center maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. During the course of our audit, we identified a misstatement in the financial statements that was not initially identified by the Service Center's internal control over financial reporting. The audit adjustment was necessary to properly record a loan receivable which had not been reported as a receivable on the Service Center's financial statements.

Status: Repeated as Finding 2014-001.

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Dave Yost • Auditor of State

HAMILTON COUNTY EDUCATIONAL SERVICE CENTER

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 8, 2015**