



Dave Yost • Auditor of State



**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – June 30, 2015 .....	15
Statement of Activities – For the Fiscal Year Ended June 30, 2015 .....	16
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities.....	20
Statement of Assets and Liabilities-Fiduciary Fund.....	21
Notes to the Basic Financial Statements .....	23
Required Supplementary Information:	
Schedule of the Center's Proportionate Share of the Net Pension Liability:	
State Teachers Retirement System of Ohio .....	52
School Employees Retirement System of Ohio .....	53
Schedule of Center's Contributions:	
State Teachers Retirement System of Ohio .....	54
School Employees Retirement System of Ohio .....	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Straight A Fund .....	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Head Start Fund .....	58

HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Notes to the Supplementary Information .....	59
Schedule of Federal Awards Receipts and Expenditures.....	61
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	62
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	63
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	65
Schedule of Findings.....	67
Schedule of Prior Audit Findings.....	69



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Hamilton County Educational Service Center  
Hamilton County  
11083 Hamilton Avenue  
Cincinnati, Ohio 45231

To the Governing Board:

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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

**Emphasis of Matter**

As discussed in Note 18 to the financial statements, during the year ended June 30, 2015, the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 17, 2016

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**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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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, 2015. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- Net Position of governmental activities increased \$7,033,984 which represents a 12% increase from 2014.
- General revenues accounted for \$3,532,614 in revenue or 5.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$63,898,695 or 94.8% of total revenues of \$67,431,309.
- The Center had \$60,397,325 in expenses related to governmental activities; \$63,898,695 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,532,614 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 Straight A 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 2015?" 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, 2015  
(Unaudited)**

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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 begins 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, 2015  
(Unaudited)**

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**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 2015 compared to 2014:

**Table 1  
Net Position**

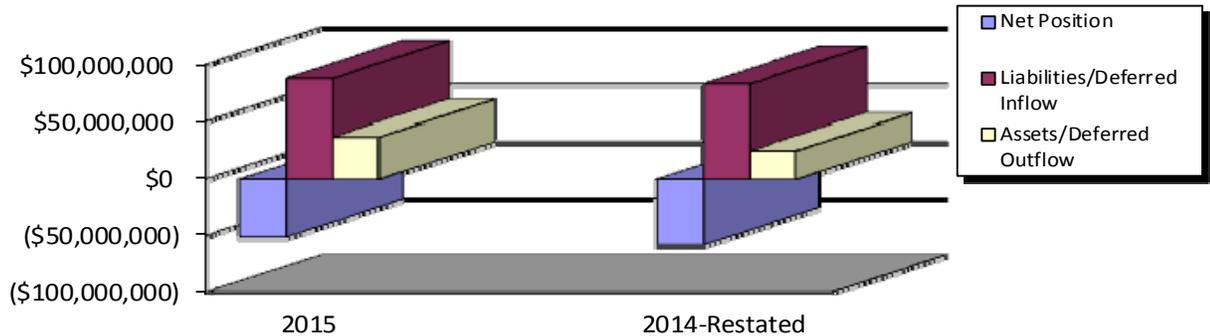
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	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$28,780,848	\$18,503,477
Capital Assets	<u>2,704,147</u>	<u>2,415,319</u>
Total Assets	<u>31,484,995</u>	<u>20,918,796</u>
Deferred Outflows of Resources:		
Pension	<u>5,285,460</u>	<u>3,882,541</u>
Total Deferred Outflows of Resources	<u>5,285,460</u>	<u>3,882,541</u>
Liabilities:		
Other Liabilities	9,193,708	4,610,859
Long-Term Liabilities	<u>67,581,316</u>	<u>78,348,906</u>
Total Liabilities	<u>76,775,024</u>	<u>82,959,765</u>
Deferred Inflows of Resources:		
Pension	<u>11,119,875</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>11,119,875</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	715,147	375,319
Restricted	4,726,037	2,813,953
Unrestricted	<u>(56,565,628)</u>	<u>(61,347,700)</u>
Total Net Position	<u><u>(\$51,124,444)</u></u>	<u><u>(\$58,158,428)</u></u>

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**Hamilton County Educational Service Center  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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

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

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

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

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

**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$10,972,928 to \$(58,158,428).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Center's liabilities and deferred inflows exceeded assets and deferred outflows by \$51,124,444.

At year-end, capital assets represented 9% of total assets. Capital assets include land, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2015, was \$715,147. These capital assets are used to provide services to the students and are not available for future spending. 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, \$4,726,037 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 2015 to 2014 mainly due to an increase in cash, accounts and interfund receivable in 2015. Long-term liabilities decreased mainly due to a decrease in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**Table 2  
Changes in Net Position**

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services	\$39,652,325	\$33,388,754
Operating Grants, Contributions	24,246,370	8,552,934
General Revenues:		
Grants and Entitlements	2,892,773	3,067,510
Other	639,841	330,610
Total Revenues	<u>67,431,309</u>	<u>45,339,808</u>
Expenses:		
Instruction	6,460,995	7,224,777
Support Services:		
Pupil and Instructional Staff	31,129,075	17,048,270
School Administrative, General Administration, Fiscal and Business	6,742,778	6,664,593
Operations and Maintenance Central	564,613	500,859
1,054,522	1,027,441	
Operation of Non-Instructional Services	13,918,511	10,636,165
Intergovernmental	427,500	0
Interest and Fiscal Charges	99,331	101,808
Total Expenses	<u>60,397,325</u>	<u>43,203,913</u>
Change in Net Position	7,033,984	2,135,895
Net Position - Beginning of Year, Restated	<u>(58,158,428)</u>	N/A
Net Position - End of Year	<u><u>(\$51,124,444)</u></u>	<u><u>(\$58,158,428)</u></u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$3,882,541 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$2,997,666. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

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**Hamilton County Educational Service Center  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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Total 2015 program expenses under GASB 68	\$60,397,325
Program expenses under GASB 68	(2,997,666)
2015 contractually required contributions	<u>4,706,020</u>
Adjusted 2015 program expenses	62,105,679
Total 2014 program expenses under GASB 27	<u>43,203,913</u>
Increase in program expenses not related to pension	<u><u>\$18,901,766</u></u>

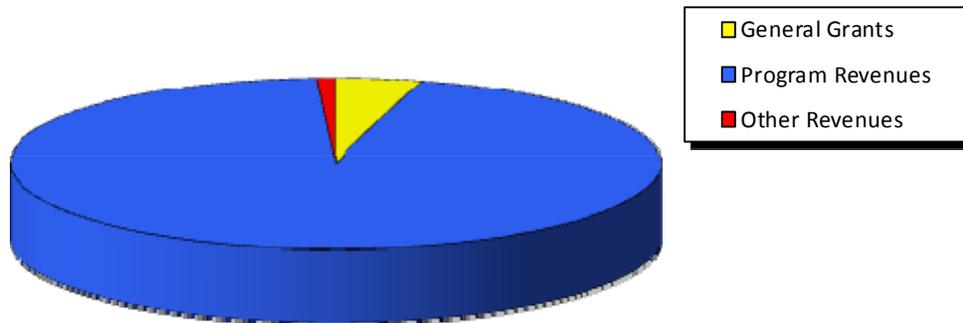
The Center’s revenues are mainly from three sources, charges for service, operating grants, and grants and entitlements. Charges for service revenues are generated by providing services to districts. The Center and a district enter an agreement specifying the type and amount of service for a period of time, generally not exceeding a school year. Operating grant revenues are awarded to the Center by various state and federal agencies. Grants and entitlements revenues are given directly to the Center and are calculated based on the average daily membership of the districts.

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

**Governmental Activities  
Revenue Sources**

---

		<u>Percentage</u>
General Grants	\$2,892,773	4.3%
Program Revenues	63,898,695	94.8%
Other Revenues	<u>639,841</u>	<u>0.9%</u>
Total Revenue Sources	<u><u>\$67,431,309</u></u>	<u><u>100.0%</u></u>



Instruction comprises 10.7% of governmental program expenses. Support services expenses were 65.4% of governmental program expenses. All other expenses including interest expense were 23.9%. Interest expense was attributable to the outstanding capital lease and borrowing for capital projects.

Grants and entitlements revenue decreased from 2014 mainly due to the loss of state funding the Center received in fiscal year 2014 compared to fiscal year 2015. Overall expenses for the current fiscal year increased when compared to 2014 due to increase in instructional staff and operation of non-instructional services.

**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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**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.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$6,460,995	\$7,224,777	\$238,259	(\$322,199)
Support Services:				
Pupil and Instructional Staff	31,129,075	17,048,270	201,252	(449,546)
School Administrative, General				
Administration, Fiscal and Business	6,742,778	6,664,593	1,040,889	788,049
Operations and Maintenance	564,613	500,859	91,204	(32,490)
Central	1,054,522	1,027,441	158,854	(50,810)
Operation of Non-Instructional Services	13,918,511	10,636,165	2,297,743	(1,093,421)
Intergovernmental	427,500	0	(427,500)	0
Interest and Fiscal Charges	99,331	101,808	(99,331)	(101,808)
Total Expenses	<u>\$60,397,325</u>	<u>\$43,203,913</u>	<u>\$3,501,370</u>	<u>(\$1,262,225)</u>

**The Center's Major Funds**

The Center has three major governmental funds: the General Fund, Head Start, and Straight A. Assets of the General Fund comprised \$16,386,402 (45%), Head Start comprised \$4,157,078 (11%), and Straight A comprised \$7,660,509 (21%) of the total \$36,799,532 governmental fund assets.

**General Fund:** Fund balance at June 30, 2015 was \$9,822,944, including \$9,476,252 of unassigned balance. Fund balance increased \$2,321,080 from 2014. 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, 2015 was \$156,844. The fund balance increased \$123,705 from 2014 to 2015. The primary reason for the increase in fund balance was mainly due to the increase in intergovernmental revenues (grant monies received).

**Straight A Fund:** Fund balance at June 30, 2015 was \$(2,826,399). The fund balance decreased \$(2,826,394) from 2014 to 2015. The primary reason for the decrease in fund balance was due to expenditures exceeding revenues.

**Hamilton County Educational Service Center  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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**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.

For the General Fund, budget final basis revenue was \$40,387,390, compared to the original budget estimates of \$39,559,123. Of the \$828,267 difference, most was due to underestimates for charges for services and intergovernmental revenues for fiscal year 2015.

For the General Fund, budget final basis expenditures were \$29,849,152, compared to the original budget estimates of \$27,934,549. Of the \$1,914,603 difference, most was due to underestimates for instruction and support services expenditures for fiscal year 2015.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2015, the Center had \$2,704,147 invested in land, buildings and improvements and equipment. Table 4 shows fiscal 2015 balances compared to 2014:

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

---

	Governmental Activities	
	2015	2014
Land	\$1,398,750	\$1,398,750
Buildings and Improvements	717,904	741,535
Equipment	587,493	275,034
Total Net Capital Assets	<u>\$2,704,147</u>	<u>\$2,415,319</u>

Overall, capital assets increased due to depreciation expense being less than current asset additions.

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

**Hamilton County Educational Service Center  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

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**Debt**

At June 30, 2015, the Center had \$1,989,000 in debt outstanding, \$54,000 due within one year.

Table 5 summarizes debt outstanding.

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

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	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
HCESC Building Capital Lease	\$1,989,000	\$2,040,000

See Notes 6 and 7 to the Basic Financial Statements for further details of 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.

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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,495,122
Receivables:	
Accounts	2,818,612
Interest	23,725
Intergovernmental	9,134,850
Loan	300,000
Inventory	8,539
Nondepreciable Capital Assets	1,398,750
Depreciable Capital Assets, Net	<u>1,305,397</u>
 Total Assets	 <u>31,484,995</u>
 Deferred Outflows of Resources:	
Pension	<u>5,285,460</u>
 Total Deferred Outflows of Resources	 <u>5,285,460</u>
 Liabilities:	
Accounts Payable	4,042,935
Accrued Wages and Benefits	5,143,165
Accrued Interest Payable	7,608
Long-Term Liabilities:	
Due Within One Year	91,394
Due In More Than One Year	
Net Pension Liability	61,588,587
Other Amounts	<u>5,901,335</u>
 Total Liabilities	 <u>76,775,024</u>
 Deferred Inflows of Resources:	
Pension	<u>11,119,875</u>
 Total Deferred Inflows of Resources	 <u>11,119,875</u>
 Net Position:	
Net Investment in Capital Assets	715,147
Restricted for:	
Straight A	1,075,808
Other State Grants	445,131
Head Start	1,739,192
Other Federal Grants	583,528
Other Grants	882,378
Unrestricted	<u>(56,565,628)</u>
 Total Net Position	 <u>(\$51,124,444)</u>

See accompanying notes to the basic financial statements.

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Special	\$6,403,052	\$6,622,830	\$12,777	\$232,555
Vocational	57,943	63,647	0	5,704
<b>Support Services:</b>				
Pupil	8,467,010	8,886,165	3,355	422,510
Instructional Staff	22,662,065	9,871,372	12,569,435	(221,258)
General Administration	57,965	45,218	0	(12,747)
School Administration	5,083,038	5,183,028	897,060	997,050
Fiscal	1,079,753	844,917	261,242	26,406
Business	522,022	552,202	0	30,180
Operations and Maintenance	564,613	329,829	325,988	91,204
Central	1,054,522	1,066,250	147,126	158,854
Operation of Non-Instructional Services	13,918,511	6,186,867	10,029,387	2,297,743
Intergovernmental	427,500	0	0	(427,500)
Interest and Fiscal Charges	99,331	0	0	(99,331)
<b>Totals</b>	<b>\$60,397,325</b>	<b>\$39,652,325</b>	<b>\$24,246,370</b>	<b>3,501,370</b>

General Revenues:

Grants and Entitlements, Not Restricted	2,892,773
Unrestricted Contributions	3,500
Investment Earnings	68,580
Other Revenues	567,761

Total General Revenues 3,532,614

Change in Net Position 7,033,984

Net Position - Beginning of Year, Restated (58,158,428)

Net Position - End of Year (\$51,124,444)

See accompanying notes to the basic financial statements.

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

	General	Straight A	Head Start	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$5,216,842	\$3,758,302	\$1,111,902	\$6,408,076	\$16,495,122
<b>Receivables:</b>					
Accounts	2,818,612	0	0	0	2,818,612
Interest	23,725	0	0	0	23,725
Intergovernmental	0	3,902,207	3,045,176	2,187,467	9,134,850
Loan	300,000	0	0	0	300,000
Interfund	8,018,684	0	0	0	8,018,684
Inventory	8,539	0	0	0	8,539
<b>Total Assets</b>	<b>16,386,402</b>	<b>7,660,509</b>	<b>4,157,078</b>	<b>8,595,543</b>	<b>36,799,532</b>
<b>Liabilities:</b>					
Accounts Payable	248,130	2,682,494	63,190	1,049,121	4,042,935
Accrued Wages and Benefits	4,310,626	0	604,224	228,315	5,143,165
Interfund Payable	0	3,902,207	1,364,204	2,752,273	8,018,684
<b>Total Liabilities</b>	<b>4,558,756</b>	<b>6,584,701</b>	<b>2,031,618</b>	<b>4,029,709</b>	<b>17,204,784</b>
<b>Deferred Inflows of Resources:</b>					
Grants	0	3,902,207	1,968,616	1,646,946	7,517,769
Unavailable Revenue	1,992,150	0	0	0	1,992,150
Investment Earnings	12,552	0	0	0	12,552
<b>Total Deferred Inflows of Resources</b>	<b>2,004,702</b>	<b>3,902,207</b>	<b>1,968,616</b>	<b>1,646,946</b>	<b>9,522,471</b>
<b>Fund Balances:</b>					
Nonspendable	8,539	0	0	0	8,539
Restricted	0	0	156,844	1,419,529	1,576,373
Committed	300,000	0	0	0	300,000
Assigned	38,153	0	0	2,530,384	2,568,537
Unassigned	9,476,252	(2,826,399)	0	(1,031,025)	5,618,828
<b>Total Fund Balances</b>	<b>9,822,944</b>	<b>(2,826,399)</b>	<b>156,844</b>	<b>2,918,888</b>	<b>10,072,277</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$16,386,402</b>	<b>\$7,660,509</b>	<b>\$4,157,078</b>	<b>\$8,595,543</b>	<b>\$36,799,532</b>

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, 2015

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Total Governmental Fund Balance \$10,072,277

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 2,704,147

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

Accounts Receivable	1,692,150	
Interest	12,552	
Intergovernmental	7,517,769	
Other Receivables	<u>300,000</u>	
		9,522,471

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. (7,608)

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 (4,003,729)

Deferred outflows and inflows or resources related to pensions  
 are applicable to future periods and, therefore, are not  
 reported in the funds.

Deferred outflows of resources related to pensions	5,285,460	
Deferred inflows of resources related to pensions	<u>(11,119,875)</u>	
		(5,834,415)

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

Net Pension Liability	(61,588,587)	
Other Amounts	<u>(1,989,000)</u>	
		<u>(63,577,587)</u>

Net Position of Governmental Activities (\$51,124,444)

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, 2015

	General	Straight A	Head Start	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Tuition and Fees	\$693,663	\$0	\$0	\$0	\$693,663
Investment Earnings	61,858	0	0	0	61,858
Intergovernmental	2,892,773	3,825,985	8,459,339	5,997,498	21,175,595
Charges for Services	0	0	0	2,049,720	2,049,720
Contract Services	36,556,379	0	0	0	36,556,379
Other Revenues	568,163	0	0	3,100	571,263
<b>Total Revenues</b>	<b>40,772,836</b>	<b>3,825,985</b>	<b>8,459,339</b>	<b>8,050,318</b>	<b>61,108,478</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Special	6,487,370	0	0	31,981	6,519,351
Vocational	61,337	0	0	0	61,337
<b>Support Services:</b>					
Pupil	8,666,709	0	0	3,218	8,669,927
Instructional Staff	9,272,026	6,112,804	0	7,487,927	22,872,757
General Administration	44,344	0	0	0	44,344
School Administration	3,977,232	0	403,353	826,849	5,207,434
Fiscal	800,318	0	149,269	159,402	1,108,989
Business	535,456	0	0	0	535,456
Operations and Maintenance	321,681	112,080	0	138,517	572,278
Central	1,090,507	0	0	128,081	1,218,588
Operation of Non-Instructional Services	6,044,250	0	7,783,012	353,756	14,181,018
Intergovernmental	0	427,500	0	0	427,500
<b>Debt Service:</b>					
Principal Retirement	51,000	0	0	0	51,000
Interest and Fiscal Charges	99,526	0	0	0	99,526
<b>Total Expenditures</b>	<b>37,451,756</b>	<b>6,652,384</b>	<b>8,335,634</b>	<b>9,129,731</b>	<b>61,569,505</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,321,080</b>	<b>(2,826,399)</b>	<b>123,705</b>	<b>(1,079,413)</b>	<b>(461,027)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	0	0	1,000,000	1,000,000
Transfers (Out)	(1,000,000)	0	0	0	(1,000,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000,000)</b>	<b>0</b>	<b>0</b>	<b>1,000,000</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>2,321,080</b>	<b>(2,826,399)</b>	<b>123,705</b>	<b>(79,413)</b>	<b>(461,027)</b>
<b>Fund Balance - Beginning of Year</b>	<b>7,501,864</b>	<b>0</b>	<b>33,139</b>	<b>2,998,301</b>	<b>10,533,304</b>
<b>Fund Balance - End of Year</b>	<b>\$9,822,944</b>	<b>(\$2,826,399)</b>	<b>\$156,844</b>	<b>\$2,918,888</b>	<b>\$10,072,277</b>

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, 2015

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Net Change in Fund Balance - Total Governmental Funds (\$461,027)

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	395,014	
Depreciation Expense	<u>(105,630)</u>	289,384

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. (556)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	4,706,020	
Cost of benefits earned net of employee contributions	<u>(2,997,666)</u>	1,708,354

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Accounts	352,561	
Interest	6,722	
Intergovernmental	<u>5,963,548</u>	6,322,831

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 51,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 195

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>(876,197)</u>	
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Change in Net Position of Governmental Activities \$7,033,984

See accompanying notes to the basic financial statements.

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

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$19,618,021
Receivables:	
Accounts	<u>65,709</u>
Total Assets	<u><u>19,683,730</u></u>
Liabilities:	
Accounts Payable	348,470
Other Liabilities	<u>19,335,260</u>
Total Liabilities	<u><u>\$19,683,730</u></u>

See accompanying notes to the basic financial statements.

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**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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**Note 1 - Description of the Center**

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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 623 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, 2015**

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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, Unified Purchasing Cooperative, 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 manage 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**

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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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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program revenues are presented as general revenues of the Center, with certain limited exceptions. 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.

Straight A Grant – To account for state funded grant monies that support the implementation of innovative ideas and practices in Ohio's schools.

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

**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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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are therefore not available to support the Center's own programs. Agency funds are custodian 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

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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(revenue) until that time. For the Center, deferred inflows of resources include grants, pension, and 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 is 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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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date received. The Center maintains a capitalization threshold of \$2,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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, 2015**

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Term	N/A	100% of Daily Rate of Accum.Vac.	100% of Daily Rate of Accum. Vac.
<b><u>Sick Leave</u></b>	<b><u>Certified</u></b>	<b><u>Administrators</u></b>	<b><u>Non-Certificated</u></b>
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
<b><u>Vacation</u></b>	<b><u>Certified</u></b>	<b><u>Administrators</u></b>	<b><u>Non-Certificated</u></b>
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.

**Pensions**

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

**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 \$4,726,037 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

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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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.

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.

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Note 3 - Equity in Pooled Cash and Investments**

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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.

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.

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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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 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, 2015, \$27,872,123 of the Center's bank balance of \$28,122,123 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, 2015, the Center had the following investments:

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**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Stocks*	\$75,423	0.00
Money Market Funds	45,423	0.00
Federal Home Loan Bank	1,466,214	1.62
Negotiable CDs	715,868	2.06
Federal Home Loan Mortgage Corporation	2,832,432	2.07
Federal Farm Credit Bank	334,895	1.68
Federal Home Loan Bank - Discount Note	199,676	0.19
Federal National Mortgage Association	3,087,459	2.61
U.S. Treasury Notes	909,575	2.82
	<u>\$9,666,965</u>	
Portfolio Weighted Average Maturity		2.17

\* The amount of \$75,423 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.

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 Bank – 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 and Negotiable CD’s 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, 15% in Federal Home Loan Bank, 2% in Federal Home Loan Bank – Discount Note, 29% in Federal Home Loan Mortgage Corporation, 8% in Negotiable CD’s, 32% in Federal National Mortgage Association, 3% 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**

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Receivables at June 30, 2015, consisted of accounts, interest, intergovernmental grants, loan 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.

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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**Note 5 - Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, Not Being Depreciated</i></b>				
Land	\$1,398,750	\$0	\$0	\$1,398,750
<b><i>Capital Assets, Being Depreciated</i></b>				
Buildings and Improvements	942,250	0	0	942,250
Equipment	<u>1,737,513</u>	<u>395,014</u>	<u>2,054</u>	<u>2,130,473</u>
Totals at Historical Cost	<u>4,078,513</u>	<u>395,014</u>	<u>2,054</u>	<u>4,471,473</u>
Less Accumulated Depreciation:				
Buildings and Improvements	200,715	23,631	0	224,346
Equipment	<u>1,462,479</u>	<u>81,999</u>	<u>1,498</u>	<u>1,542,980</u>
Total Accumulated Depreciation	<u>1,663,194</u>	<u>105,630</u>	<u>1,498</u>	<u>1,767,326</u>
Governmental Activities Capital Assets, Net	<u>\$2,415,319</u>	<u>\$289,384</u>	<u>\$556</u>	<u>\$2,704,147</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$14,908
Support Services:	
Instructional Staff	11,352
General Administration	14,270
School Administration	28,503
Business	1,222
Operations and Maintenance	4,533
Operation of Non-Instructional Services	<u>30,842</u>
Total Depreciation Expense	<u>\$105,630</u>

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**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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**Note 6 - Long-Term Liabilities**

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	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
Net Pension Liability:					
STRS	\$58,814,466	\$0	\$9,306,735	\$49,507,731	\$0
SERS	14,199,431	0	2,118,575	12,080,856	0
Total Net Pension Liability	73,013,897	0	11,425,310	61,588,587	0
Capital Lease Payable:					
HCESC Building	2,040,000	0	51,000	1,989,000	54,000
Compensated Absences	3,295,009	923,268	214,548	4,003,729	37,394
Total Governmental Activities Long-Term Liabilities	<u>\$78,348,906</u>	<u>\$923,268</u>	<u>\$11,690,858</u>	<u>\$67,581,316</u>	<u>\$91,394</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**

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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 \$1,989,000.

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, 2015.

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**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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Fiscal Year Ending June 30,	Long-Term Debt
2016	\$147,008
2017	146,401
2018	146,675
2019	145,830
2020	145,867
2021-2025	728,680
2026-2030	727,057
2031-2035	722,856
2036-2037	287,130
Total Minimum Lease Payments	3,197,504
Less: Amount Representing Interest	(1,170,149)
Less: Additional Program Cost Component	(38,355)
Present Value of Minimum Lease Payments	<u>\$1,989,000</u>

**Note 8 - Defined Benefit Pension Plans**

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**Net Pension Liability**

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

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

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

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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The Center’s contractually required contribution to SERS was \$1,238,045 for fiscal year 2015. Of this amount \$50,860 is reported as accrued wages and benefits.

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The Center's contractually required contribution to STRS was \$3,467,975 for fiscal year 2015. Of this amount \$400,338 is reported as accrued wages and benefits.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$12,080,856	\$49,507,731	\$61,588,587
Proportion of the Net Pension Liability	0.29964300%	0.20353901%	
Pension Expense	710,453	2,287,213	2,997,666

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**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$102,821	\$476,619	\$579,440
Center contributions subsequent to the measurement date	<u>1,238,045</u>	<u>3,467,975</u>	<u>4,706,020</u>
Total Deferred Outflows of Resources	<u>\$1,340,866</u>	<u>\$3,944,594</u>	<u>\$5,285,460</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,960,757</u>	<u>\$9,159,118</u>	<u>\$11,119,875</u>

\$4,706,020 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$464,484)	(\$2,170,624)	(\$2,635,108)
2017	(464,484)	(2,170,625)	(2,635,109)
2018	(464,484)	(2,170,625)	(2,635,109)
2019	<u>(464,484)</u>	<u>(2,170,625)</u>	<u>(2,635,109)</u>
Total	<u>(\$1,857,936)</u>	<u>(\$8,682,499)</u>	<u>(\$10,540,435)</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

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

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

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

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

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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$21,635,608	\$12,080,856	\$9,722,220

**Actuarial Assumptions - STRS**

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

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

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

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

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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$70,875,715	\$49,507,731	\$31,437,608

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**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Note 9 - Post Employment Benefits**

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***School Employees Retirement System***

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the Center's surcharge obligation was \$50,860.

The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$123,374, \$20,812, and \$22,982, respectively. For fiscal year 2015, 97 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

***State Teachers Retirement System***

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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Center’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$374,092, and \$354,675 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 10 - Contingent Liabilities**

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**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, 2015.

**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**

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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.

<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.

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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<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 \$3,000,000 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**

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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.

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**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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**Note 13 – Accountability**

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

	<u>Amounts</u>
Straight A Grant	2,826,399
Other Government Funds:	
IDEA Preschool Grant	\$20,495
Race to the Top	64,389
Improving Teacher Quality	34,402
Title VI-B Special Education	856,867
Title I Disadvantaged Children	5,245
Refugee School Impact Grant	28,083
Data Communication	21,544

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**

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Interfund transactions at June 30, 2015, consisted of the following interfund receivables and interfund payables and transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$8,018,684	\$0	\$0	\$1,000,000
Head Start Fund	0	1,364,204	0	0
Straight A	0	3,902,207	0	0
Other Governmental Funds	0	2,752,273	1,000,000	0
 Total All Funds	 <u>\$8,018,684</u>	 <u>\$8,018,684</u>	 <u>\$1,000,000</u>	 <u>\$1,000,000</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**

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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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2015**

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administrative and instructional functions among member districts. Each of the governments of these schools supports 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.

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

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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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.

**Note 16 - Claims Servicing Pool**

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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**

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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	Straight A Grant	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$8,539	\$0	\$0	\$0	\$8,539
<b>Total Nonspendable</b>	8,539	0	0	0	8,539
<b>Restricted for:</b>					
Head Start Program	0	156,844	0	0	156,844
Other Grants	0	0	0	884,085	884,085
Early Childhood Education Expansion	0	0	0	29,995	29,995
Miscellaneous State Grants	0	0	0	373,414	373,414
Miscellaneous Federal Grants	0	0	0	132,035	132,035
<b>Total Restricted</b>	0	156,844	0	1,419,529	1,576,373
<b>Committed to:</b>					
Termination Benefits	300,000	0	0	0	300,000
<b>Total Committed</b>	300,000	0	0	0	300,000
<b>Assigned to:</b>					
Permanent Improvements	0	0	0	730,384	730,384
Capital Projects	0	0	0	1,800,000	1,800,000
Encumbrances	38,153	0	0	0	38,153
<b>Total Assigned</b>	38,153	0	0	2,530,384	2,568,537
<b>Unassigned (Deficit)</b>	9,476,252	0	(2,826,399)	(1,031,025)	5,618,828
<b>Total Fund Balance</b>	\$9,822,944	\$156,844	(\$2,826,399)	\$2,918,888	\$10,072,277

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2015**

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**Note 18 – Change in Accounting Principles**

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The Center adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the Center. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**Note 19 – Change in Accounting Principle and Restatement of Net Position**

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For fiscal year 2015, the Center implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$10,972,928
Adjustments:	
Net Pension Liability	(73,013,897)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>3,882,541</u>
Restated Net Position June 30, 2014	<u><u>(\$58,158,428)</u></u>

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

# **REQUIRED SUPPLEMENTARY INFORMATION**



Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.20353901%	0.20353901%
Center's Proportionate Share of the Net Pension Liability	\$49,507,731	\$58,814,466
Center's Covered-Employee Payroll	\$22,395,762	\$38,195,800
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	153.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
Center's Proportion of the Net Pension Liability	0.299643%	0.299643%
Center's Proportionate Share of the Net Pension Liability	\$12,080,856	\$14,199,431
Center's Covered-Employee Payroll	\$8,794,986	\$14,529,747
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	137.36%	97.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$3,467,975	\$2,911,449	\$4,965,454	\$4,631,272	\$4,786,028	\$4,634,525	\$4,682,235	\$4,766,918	\$4,855,348	\$4,960,283
Contributions in Relation to the Contractually Required Contribution	(3,467,975)	(2,911,449)	(4,965,454)	(4,631,272)	(4,786,028)	(4,634,525)	(4,682,235)	(4,766,918)	(4,855,348)	(4,960,283)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center Covered-Employee Payroll	\$24,771,250	\$22,395,762	\$38,195,800	\$35,625,169	\$36,815,600	\$35,650,192	\$36,017,192	\$36,668,600	\$37,348,831	\$38,156,023
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution (1)	\$1,238,045	\$1,218,985	\$2,010,917	\$1,908,012	\$1,977,120	\$2,109,654	\$2,284,733	\$2,148,518	\$2,229,525	\$2,053,307
Contributions in Relation to the Contractually Required Contribution	(1,238,045)	(1,218,985)	(2,010,917)	(1,908,012)	(1,977,120)	(2,109,654)	(2,284,733)	(2,148,518)	(2,229,525)	(2,053,307)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center Covered-Employee Payroll	\$9,393,361	\$8,794,986	\$14,529,747	\$14,185,963	\$15,728,878	\$15,580,901	\$23,218,831	\$21,879,002	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	N/A	N/A

(1) For years 2006-2013, the amounts include H/CCA.

N/A - Information unavailable

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, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$660,107	\$673,928	\$693,663	\$19,735
Investment Earnings	39,489	40,315	41,496	1,181
Intergovernmental	2,752,836	2,810,473	2,892,773	82,300
Charges for Services	35,566,013	36,310,675	37,373,972	1,063,297
Other Revenues	540,678	551,999	568,163	16,164
<b>Total Revenues</b>	<b>39,559,123</b>	<b>40,387,390</b>	<b>41,570,067</b>	<b>1,182,677</b>
Expenditures:				
Current:				
Instruction:				
Special	4,885,201	5,220,027	6,488,666	(1,268,639)
Vocational	46,174	49,338	61,329	(11,991)
Support Services:				
Pupil	6,512,734	6,959,109	8,650,402	(1,691,293)
Instructional Staff	6,693,864	7,152,654	8,890,985	(1,738,331)
General Administration	33,197	35,472	44,093	(8,621)
School Administration	3,078,060	3,289,027	4,088,369	(799,342)
Fiscal	597,036	637,957	793,001	(155,044)
Business	404,567	432,295	537,357	(105,062)
Operations and Maintenance	242,061	258,652	321,513	(62,861)
Central	780,264	833,742	1,036,369	(202,627)
Operation of Non-Instructional Services	4,548,063	4,859,783	6,040,870	(1,181,087)
Capital Outlay	113,328	121,096	150,526	(29,430)
<b>Total Expenditures</b>	<b>27,934,549</b>	<b>29,849,152</b>	<b>37,103,480</b>	<b>(7,254,328)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>11,624,574</b>	<b>10,538,238</b>	<b>4,466,587</b>	<b>(6,071,651)</b>
Other Financing Sources (Uses):				
Advances In	1,158,425	1,182,679	1,217,312	34,633
Advances (Out)	(6,037,125)	(6,450,903)	(8,018,685)	(1,567,782)
Transfers (Out)	(752,882)	(804,484)	(1,000,000)	(195,516)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,631,582)</b>	<b>(6,072,708)</b>	<b>(7,801,373)</b>	<b>(1,728,665)</b>
<b>Net Change in Fund Balance</b>	<b>5,992,992</b>	<b>4,465,530</b>	<b>(3,334,786)</b>	<b>(7,800,316)</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,766,987	7,766,987	7,766,987	0
<b>Fund Balance End of Year</b>	<b>\$13,759,979</b>	<b>\$12,232,517</b>	<b>\$4,432,201</b>	<b>(\$7,800,316)</b>

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, 2015

	Straight A Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$3,825,985	\$3,825,985	\$3,825,985	\$0
Total Revenues	<u>3,825,985</u>	<u>3,825,985</u>	<u>3,825,985</u>	<u>0</u>
Expenditures:				
Current:				
Support Services:				
Instructional Staff	7,616,112	7,616,112	7,616,112	0
Operations and Maintenance	112,080	112,080	112,080	0
Total Expenditures	<u>7,728,192</u>	<u>7,728,192</u>	<u>7,728,192</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,902,207)</u>	<u>(3,902,207)</u>	<u>(3,902,207)</u>	<u>0</u>
Other Financing Sources (Uses):				
Advances In	3,902,207	3,902,207	3,902,207	0
Total Other Financing Sources (Uses)	<u>3,902,207</u>	<u>3,902,207</u>	<u>3,902,207</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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, 2015

	Head Start Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$6,471,884	\$6,074,196	\$7,494,144	\$1,419,948
Total Revenues	6,471,884	6,074,196	7,494,144	1,419,948
Expenditures:				
Current:				
Support Services:				
School Administration	130,115	371,261	372,372	(1,111)
Fiscal	65,493	186,872	187,431	(559)
Operation of Non-Instructional Services	2,993,429	8,541,219	8,566,789	(25,570)
Total Expenditures	3,189,037	9,099,352	9,126,592	(27,240)
Excess of Revenues Over (Under) Expenditures	3,282,847	(3,025,156)	(1,632,448)	1,392,708
Other Financing Sources (Uses):				
Advances In	1,178,116	1,105,722	1,364,204	258,482
Advances (Out)	(9,544)	(27,231)	(27,313)	(82)
Total Other Financing Sources (Uses)	1,168,572	1,078,491	1,336,891	258,400
Net Change in Fund Balance	4,451,419	(1,946,665)	(295,557)	1,651,108
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	295,547	295,547	295,547	0
Fund Balance End of Year	\$4,746,966	(\$1,651,118)	(\$10)	\$1,651,108

See accompanying notes to the supplementary information.

**Hamilton County Educational Service Center  
Notes to the Supplementary Information  
For The Fiscal Year Ended June, 30, 2015**

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**Note 1 – Budgetary Process**

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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 2015.

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 Straight A Fund:

	Net Change in Fund Balance		
	General	Head Start	Straight A
GAAP Basis	\$2,321,080	\$123,705	(\$2,826,399)
Revenue Accruals	797,231	(965,195)	0
Expenditure Accruals	486,534	320,955	2,682,494
Advances In	1,217,312	1,364,204	3,902,207
Advances Out	(8,018,685)	(27,313)	0
Encumbrances	(138,258)	(1,111,913)	(3,758,302)
Budget Basis	<u>(\$3,334,786)</u>	<u>(\$295,557)</u>	<u>\$0</u>

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**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child and Adult Care Food Program	10.558	\$298,855	\$443,053
Total U.S. Department of Agriculture		<u>298,855</u>	<u>443,053</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	75,531	74,425
ARRA - Race to the Top (RttT):			
RttT - TeachOhio	84.395	57,098	0
RttT - ETPES	84.395	12,909	0
RttT - Regional Formative Instruction Specialist	84.395	270,618	313,186
RttT - High School Higher Education Alignment Initiative	84.395	33,983	0
RttT - Student Growth	84.395	10,686	11,385
RttT - Beginning Principal Mentorship Program	84.395	66,469	3,277
RttT - Special Education	84.395	58,497	59,968
RttT - Document Translation	84.395	78,019	93,119
RttT - BPK Trainings	84.395		388,000
RttT - College Training	84.395	71,574	109,757
Total ARRA - Race to the Top		<u>659,853</u>	<u>978,692</u>
Race to the Top - Early Learning Challenge	84.412	47,493	44,385
Special Education - State Personnel Development	84.323	49,919	13,120
English Language Acquisition Grants	84.365	55,253	60,764
Improving Teacher Quality	84.367	343,247	377,642
School Climate Transformation	84.184	43,900	43,900
Special Education Cluster:			
Special Education - Grants to States	84.027	2,289,558	2,609,144
Special Education - Preschool Grants	84.173	47,747	64,838
Total Special Education Cluster		<u>2,337,305</u>	<u>2,673,982</u>
Total U.S. Department of Education		<u>3,612,501</u>	<u>4,266,910</u>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
Head Start	93.600	7,083,926	7,166,871
<i>Passed Through Cincinnati-Hamilton Co. Community Action Agency</i>			
Head Start	93.600	111,364	404,745
<i>Passed Through Ohio Department of Job and Family Services</i>			
Refugee and Entrant Assistance - Discretionary Grants	93.576	25,742	18,909
Early Learning Initiative	93.558	<u>0</u>	<u>4,180</u>
Total U.S. Department of Health & Human Services		<u>7,221,032</u>	<u>7,594,705</u>
<b>Total Federal Assistance</b>		<u><u>\$11,132,388</u></u>	<u><u>\$12,304,668</u></u>

The accompanying notes are an integral part of this schedule.

**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

Hamilton County Educational Service Center  
Hamilton County  
11083 Hamilton Avenue  
Cincinnati, Ohio 45231

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton County Educational Service Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 17, 2016 wherein we noted the Center adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 17, 2016



# Dave Yost • Auditor of State

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

Hamilton County Educational Service Center  
Hamilton County  
11083 Hamilton Avenue  
Cincinnati, Ohio 45231

To the Governing Board:

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

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

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

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 17, 2016

**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA 93.600 Head Start CFDA 84.027 & 84.173 Special Education Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Audit adjustment to the General Fund and Remaining Fund Information to reclassify tuition receipts.	Yes	Finding no longer valid.

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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  
MARCH 31, 2016