



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

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HAMILTON COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Governing Body:

### ***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, 2019, 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 such 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, 2019, 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.

**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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

March 17, 2020

**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(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, 2019. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Center's performance.

**Financial Highlights**

Key financial highlights for 2019 are as follows:

- Net Position of governmental activities increased \$3,803,005 which represents a 10% increase from 2018.
- General revenues accounted for \$3,912,869 in revenue or 6% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$56,377,337 or 94% of total revenues of \$60,290,206.
- The Center had \$56,487,201 in expenses related to governmental activities; \$56,377,337 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,912,869 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. Major funds include the General, Title VI-B Special Education, Head Start, and the Capital Project Fund.

**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 2019?" The Government-wide Financial Statements answers this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* 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, 2019  
(Unaudited)**

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These two statements report the Center's *net position* and changes in the net 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 statements 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.

**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 2019 compared to 2018:

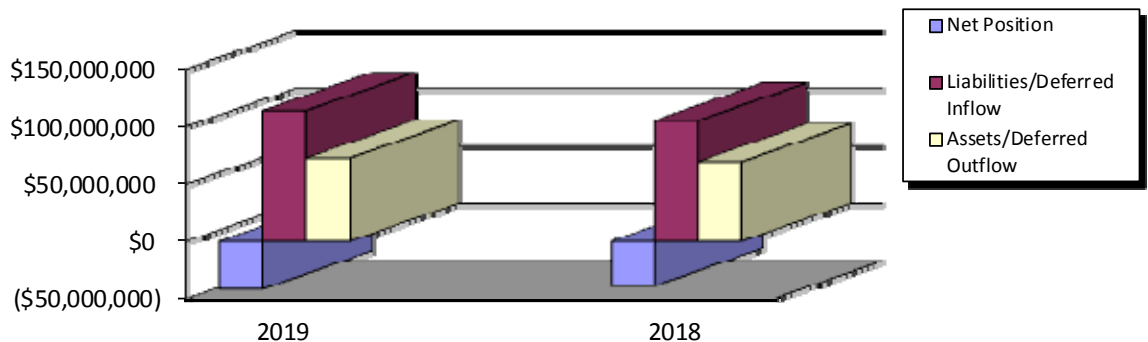
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**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

**Table 1  
Net Position**

	Governmental Activities	
	2019	2018
Assets:		
Current and Other Assets	\$36,658,315	\$35,593,228
Net OPEB Asset	3,974,118	0
Capital Assets	5,549,684	3,046,758
<b>Total Assets</b>	<b>46,182,117</b>	<b>38,639,986</b>
Deferred Outflows of Resources:		
Pension	23,394,151	26,549,147
OPEB	1,868,461	1,099,120
<b>Total Deferred Outflows of Resources</b>	<b>25,262,612</b>	<b>27,648,267</b>
Liabilities:		
Other Liabilities	7,772,801	6,551,840
Long-Term Liabilities	87,455,061	93,873,235
<b>Total Liabilities</b>	<b>95,227,862</b>	<b>100,425,075</b>
Deferred Inflows of Resources:		
Pension	4,301,291	2,677,886
OPEB	6,884,240	1,956,961
<b>Total Deferred Inflows of Resources</b>	<b>11,185,531</b>	<b>4,634,847</b>
Net Position:		
Net Investment in Capital Assets	3,518,329	1,226,758
Restricted	1,275,021	2,738,484
Unrestricted	(39,762,014)	(42,736,911)
<b>Total Net Position</b>	<b>(\$34,968,664)</b>	<b>(\$38,771,669)</b>



**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the Center's liabilities and deferred inflows exceeded assets and deferred outflows by \$34,968,664.

At year-end, capital assets represented 12% of total assets. Capital assets include land, buildings and improvements, construction in progress, and equipment. Net investment in capital assets at June 30, 2019, was \$3,518,329. 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, \$1,275,021 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 2018 to 2019 mainly due to an increase in cash and cash equivalents. Long-term liabilities decreased mainly due a decrease in the net pension liability and net other post employment benefits liability.

Table 2 shows the changes in net position for fiscal years 2019 and 2018.

**Table 2  
Changes in Net Position**

---

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues		
Charges for Services	\$45,940,531	\$43,495,957
Operating Grants, Contributions	10,436,806	13,011,009
General Revenues:		
Grants and Entitlements	3,009,216	2,966,559
Other	903,653	261,161
Total Revenues	<u>60,290,206</u>	<u>59,734,686</u>
Expenses:		
Instruction	7,518,219	3,505,799
Support Services:		
Pupil and Instructional Staff	24,830,113	11,298,423
School Administrative, General		
Administration, Fiscal and Business	7,312,983	3,222,970
Operations and Maintenance	380,555	492,117
Pupil Transportation	21,784	0
Central	1,466,548	145,506
Operation of Non-Instructional Services	14,603,342	7,674,306
Interest and Fiscal Charges	353,657	91,148
Total Expenses	<u>56,487,201</u>	<u>26,430,269</u>
Change in Net Position	3,803,005	33,304,417
Net Position - Beginning of Year	<u>(38,771,669)</u>	<u>(72,076,086)</u>
Net Position - End of Year	<u>(\$34,968,664)</u>	<u>(\$38,771,669)</u>

**Hamilton County Educational Service Center  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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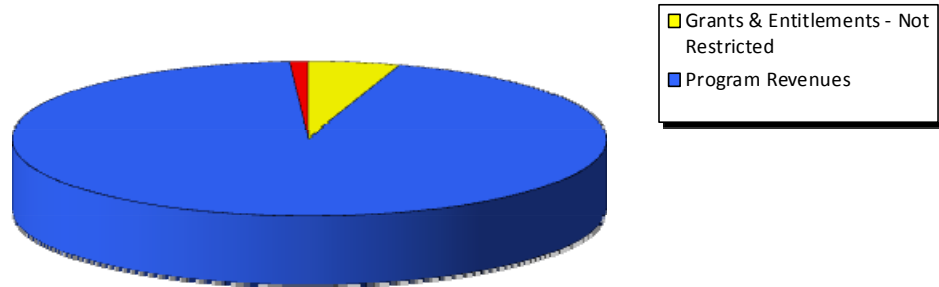
The Center’s revenues are mainly from three sources, charges for services, operating grants, and grants and entitlements. Charges for services revenues are generated by providing services to member districts. The Center and a district enter into an agreement specifying the type and amount of service 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**

---

	2019	Percentage
Grants & Entitlements - Not Restricted	\$3,009,216	5%
Program Revenues	56,377,337	94%
Other Revenues	903,653	1%
<b>Total Revenue Sources</b>	<b>\$60,290,206</b>	<b>100%</b>



Instruction comprises 13% of governmental program expenses. Support services expenses were 61% of governmental program expenses. All other expenses including interest expense and fiscal charges were 26%. Interest expense was attributable to the outstanding capital lease and borrowing for capital projects.

Grants and entitlements revenue increased from 2018 mainly due to the increase of state funding the Center received in fiscal year 2019 compared to fiscal year 2018. Overall expenses for the current fiscal year increased when compared to 2018 primarily due to changes related to the net pension liability and other post employment benefits liability.

**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.

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**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$7,518,219	\$3,505,799	\$287,440	\$3,454,075
Support Services:				
Pupil and Instructional Staff	24,830,113	11,298,423	(264,043)	12,777,697
School Administrative, General				
Administration, Fiscal and Business	7,312,983	3,222,970	1,007,507	4,546,789
Operations and Maintenance	380,555	492,117	19,522	(13,716)
Pupil Transportation	21,784	0	(181)	0
Central	1,466,548	145,506	(195,112)	985,610
Operation of Non-Instructional Services	14,603,342	7,674,306	(611,340)	8,417,390
Interest and Fiscal Charges	353,657	91,148	(353,657)	(91,148)
Total Expenses	<u>\$56,487,201</u>	<u>\$26,430,269</u>	<u>(\$109,864)</u>	<u>\$30,076,697</u>

**The Center's Major Funds**

The Center has four major governmental funds: the General Fund, Title VI-B Special Education, Head Start, and Capital Projects. Assets of the General Fund comprised \$21,387,388 (56%), Title VI-B Special Education comprised \$1,212,249 (3%), Head Start comprised \$2,056,037 (5%), and Capital Projects comprised \$12,064,964 (31%) of the total \$38,475,611 governmental fund assets.

**General Fund:** Fund balance at June 30, 2019 was \$14,911,162, including \$14,778,632 of unassigned balance. Fund balance decreased \$627,907 from 2018. The fund balance remained relatively stable from the prior year.

**Title IV-B Special Education:** Fund balance at June 30, 2019 was (\$462,755). The Fund balance decreased \$488,433 from 2018. The primary reason for the decrease in fund balance was mainly due to a decrease in intergovernmental revenues.

**Head Start Fund:** Fund balance at June 30, 2019 was (\$146,212). The fund balance decreased \$605,679 from 2018. The primary reason for the decrease in fund balance was mainly due to the decrease in intergovernmental revenue.

**Capital Projects:** Fund balance at June 30, 2019 was \$11,252,695. The fund balance increased \$2,968,945 from 2018. The primary reason for the increase in fund balance was due to a long term debt issuance.

**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.

**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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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 \$51,481,949 compared to the original budget estimates of \$50,065,397. Of the \$1,416,552 difference, most was due to underestimates for charges for services and intergovernmental revenues for fiscal year 2019.

For the General Fund, budget final basis expenditures were \$50,679,108, compared to the original budget estimates of \$48,344,720. Of the \$2,334,388 difference, most was due to underestimating instruction and support services expenditures for fiscal year 2019.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2019, the Center had \$5,549,684 invested in land, construction in progress, buildings and improvements and equipment. Table 4 shows fiscal 2019 balances compared to 2018:

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

	Governmental Activities	
	2019	2018
Land	\$1,398,750	\$1,398,750
Construction in Progress	2,767,297	197,396
Buildings and Improvements	909,182	917,470
Equipment	474,455	533,142
Total Net Capital Assets	<u>\$5,549,684</u>	<u>\$3,046,758</u>

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

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

***Debt***

At June 30, 2019, the Center had \$5,000,000 in debt outstanding, \$190,000 due within one year.

Table 5 summarizes debt outstanding.

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

	Governmental Activities	
	2019	2018
HCESC Building Capital Lease	\$5,000,000	\$1,820,000

**Hamilton County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
(Unaudited)**

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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, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$32,316,711
Restricted Cash and Investments	122,739
Receivables:	
Accounts	1,285,545
Interest	38,930
Intergovernmental	2,787,959
Prepays	101,761
Inventory	4,670
Nondepreciable Capital Assets	4,166,047
Depreciable Capital Assets, Net	1,383,637
Net OPEB Asset	<u>3,974,118</u>
 Total Assets	 <u>46,182,117</u>
 Deferred Outflows of Resources:	
Pension	23,394,151
OPEB	<u>1,868,461</u>
 Total Deferred Outflows of Resources	 <u>25,262,612</u>
 Liabilities:	
Accounts Payable	113,791
Accrued Wages and Benefits	6,828,678
Contracts Payable	689,530
Retainage Payable	122,739
Accrued Interest Payable	18,063
Long-Term Liabilities:	
Due Within One Year	435,043
Due In More Than One Year	
Net Pension Liability	70,659,610
Net OPEB Liability	7,484,948
Other Amounts	<u>8,875,460</u>
 Total Liabilities	 <u>95,227,862</u>
 Deferred Inflows of Resources:	
OPEB	6,884,240
Pension	<u>4,301,291</u>
 Total Deferred Inflows of Resources	 <u>11,185,531</u>
 Net Position:	
Net Investment in Capital Assets	3,518,329
Restricted for:	
Special Education	226,839
Other State Grants	34,044
Other Federal Grants	167,080
Other Grants	847,058
Unrestricted	<u>(39,762,014)</u>
 Total Net Position	 <u><u>(\$34,968,664)</u></u>

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center  
Statement of Activities  
For the Fiscal Year Ended June 30, 2019

	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	\$7,502,442	\$7,767,472	\$19,936	\$284,966
Vocational	15,777	18,251	0	2,474
<b>Support Services:</b>				
Pupil	11,785,974	12,222,006	0	436,032
Instructional Staff	13,044,139	9,370,880	2,973,184	(700,075)
General Administration	75,154	63,832	0	(11,322)
School Administration	5,118,217	5,868,892	269,864	1,020,539
Fiscal	1,328,837	924,942	424,346	20,451
Business	790,775	768,614	0	(22,161)
Operations and Maintenance	380,555	268,371	131,706	19,522
Pupil Transportation	21,784	21,603	0	(181)
Central	1,466,548	1,270,404	1,032	(195,112)
Operation of Non-Instructional Services	14,603,342	7,375,264	6,616,738	(611,340)
Interest and Fiscal Charges	353,657	0	0	(353,657)
<b>Totals</b>	<b>\$56,487,201</b>	<b>\$45,940,531</b>	<b>\$10,436,806</b>	<b>(109,864)</b>

General Revenues:

Grants and Entitlements, Not Restricted	3,009,216
Investment Earnings	491,322
Other Revenues	412,331

Total General Revenues 3,912,869

Change in Net Position 3,803,005

Net Position - Beginning of Year (38,771,669)

Net Position - End of Year (\$34,968,664)

See accompanying notes to the basic financial statements.



Hamilton County Educational Service Center  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General	Title VI-B Special Education	Head Start	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Investments	\$18,174,682	\$365,359	\$298,785	\$11,942,225	\$1,535,660	\$32,316,711
Restricted Cash and Investments	0	0	0	122,739	0	122,739
<b>Receivables:</b>						
Accounts	1,265,022	4,308	14,090	0	2,125	1,285,545
Interest	38,930	0	0	0	0	38,930
Intergovernmental	0	839,439	1,732,883	0	215,637	2,787,959
Interfund	1,817,296	0	0	0	0	1,817,296
Prepays	86,788	3,143	10,279	0	1,551	101,761
Inventory	4,670	0	0	0	0	4,670
<b>Total Assets</b>	<b>21,387,388</b>	<b>1,212,249</b>	<b>2,056,037</b>	<b>12,064,964</b>	<b>1,754,973</b>	<b>38,475,611</b>
<b>Liabilities:</b>						
Accounts Payable	86,961	0	26,830	0	0	113,791
Accrued Wages and Benefits	5,823,867	210,923	689,808	0	104,080	6,828,678
Compensated Absences	153,836	0	0	0	0	153,836
Contracts Payable	0	0	0	689,530	0	689,530
Retainage Payable	0	0	0	122,739	0	122,739
Interfund Payable	0	624,642	1,024,610	0	168,044	1,817,296
<b>Total Liabilities</b>	<b>6,064,664</b>	<b>835,565</b>	<b>1,741,248</b>	<b>812,269</b>	<b>272,124</b>	<b>9,725,870</b>
<b>Deferred Inflows of Resources:</b>						
Grants	0	839,439	461,001	0	215,637	1,516,077
Unavailable Revenue	378,080	0	0	0	0	378,080
Investment Earnings	33,482	0	0	0	0	33,482
<b>Total Deferred Inflows of Resources</b>	<b>411,562</b>	<b>839,439</b>	<b>461,001</b>	<b>0</b>	<b>215,637</b>	<b>1,927,639</b>
<b>Fund Balances:</b>						
Nonspendable	91,458	3,143	10,279	0	1,551	106,431
Restricted	0	0	0	2,968,645	1,005,232	3,973,877
Assigned	41,072	0	0	8,284,050	387,561	8,712,683
Unassigned	14,778,632	(465,898)	(156,491)	0	(127,132)	14,029,111
<b>Total Fund Balances</b>	<b>14,911,162</b>	<b>(462,755)</b>	<b>(146,212)</b>	<b>11,252,695</b>	<b>1,267,212</b>	<b>26,822,102</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$21,387,388</b>	<b>\$1,212,249</b>	<b>\$2,056,037</b>	<b>\$12,064,964</b>	<b>\$1,754,973</b>	<b>\$38,475,611</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, 2019

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Total Governmental Fund Balances		\$26,822,102
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		5,549,684
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Accounts Receivable	378,080	
Interest	33,482	
Intergovernmental	<u>1,516,077</u>	
		1,927,639
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.		
		(18,063)
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		(4,156,667)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	23,394,151	
Deferred inflows of resources related to pensions	(4,301,291)	
Deferred outflows of resources related to OPEB	1,868,461	
Deferred inflows of resources related to OPEB	<u>(6,884,240)</u>	
Deferred outflows of resources related to pensions		14,077,081
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	3,974,118	
Net Pension Liability	(70,659,610)	
Net OPEB Liability	(7,484,948)	
Other Amounts	<u>(5,000,000)</u>	
		<u>(79,170,440)</u>
Net Position of Governmental Activities		<u>(\$34,968,664)</u>

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, 2019

	General	Title VI-B Special Education	Head Start	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Tuition and Fees	\$726,798	\$0	\$0	\$0	\$0	\$726,798
Investment Earnings	475,903	0	0	300	0	476,203
Intergovernmental	3,009,216	1,844,521	8,081,086	0	861,454	13,796,277
Charges for Services	0	0	0	0	364,153	364,153
Contract Services	45,776,334	0	0	0	0	45,776,334
Other Revenues	391,891	0	0	0	10,960	402,851
<b>Total Revenues</b>	<b>50,380,142</b>	<b>1,844,521</b>	<b>8,081,086</b>	<b>300</b>	<b>1,236,567</b>	<b>61,542,616</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Special	8,068,031	0	0	0	14,049	8,082,080
Vocational	18,979	0	0	0	0	18,979
<b>Support Services:</b>						
Pupil	12,834,051	0	0	0	0	12,834,051
Instructional Staff	11,030,558	2,127,248	0	0	994,582	14,152,388
General Administration	65,967	0	0	0	0	65,967
School Administration	5,412,933	0	285,556	0	146,506	5,844,995
Fiscal	953,457	85,706	365,535	0	27,800	1,432,498
Business	800,607	0	0	0	0	800,607
Operations and Maintenance	264,573	120,000	0	0	10,000	394,573
Pupil Transportation	21,784	0	0	0	0	21,784
Central	1,298,294	0	0	0	2,500	1,300,794
Operation of Non-Instructional Services	7,591,392	0	8,035,674	0	94,545	15,721,611
Capital Outlay	494,867	0	0	2,031,355	0	2,526,222
<b>Debt Service:</b>						
Principal Retirement	1,820,000	0	0	0	0	1,820,000
Interest and Fiscal Charges	342,556	0	0	0	0	342,556
<b>Total Expenditures</b>	<b>51,018,049</b>	<b>2,332,954</b>	<b>8,686,765</b>	<b>2,031,355</b>	<b>1,289,982</b>	<b>65,359,105</b>
Excess of Revenues Over (Under) Expenditures	(637,907)	(488,433)	(605,679)	(2,031,055)	(53,415)	(3,816,489)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Capital Assets	10,000	0	0	0	0	10,000
Issuance of Long-Term Capital-Related Debt	0	0	0	5,000,000	0	5,000,000
<b>Total Other Financing Sources (Uses)</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>5,000,000</b>	<b>0</b>	<b>5,010,000</b>
<b>Net Change in Fund Balance</b>	<b>(627,907)</b>	<b>(488,433)</b>	<b>(605,679)</b>	<b>2,968,945</b>	<b>(53,415)</b>	<b>1,193,511</b>
Fund Balance - Beginning of Year	15,539,069	25,678	459,467	8,283,750	1,320,627	25,628,591
Fund Balance - End of Year	\$14,911,162	(\$462,755)	(\$146,212)	\$11,252,695	\$1,267,212	\$26,822,102

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, 2019

Net Change in Fund Balance - Total Governmental Funds		\$1,193,511
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital assets used in governmental activities	2,641,637	
Depreciation Expense	<u>(138,190)</u>	
		2,503,447
<p>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.</p>		
		(522)
<p>Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.</p>		
District pension contributions	5,689,757	
Cost of benefits earned net of employee contributions - Pension	(9,289,824)	
District OPEB contributions	91,724	
Cost of benefits earned net of employee contributions - OPEB	<u>8,269,350</u>	
		4,761,007
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Accounts	(926,753)	
Interest	15,119	
Intergovernmental	(350,254)	
Other	<u>(100,000)</u>	
		(1,361,888)
<p>Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,820,000
<p>In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.</p>		
		(11,101)
<p>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.</p>		
Compensated Absences		(101,449)
<p>Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.</p>		
		<u>(5,000,000)</u>
Change in Net Position of Governmental Activities		<u>\$3,803,005</u>

See accompanying notes to the basic financial statements.

Hamilton County Educational Service Center  
Statement of Assets and Liabilities  
Fiduciary Fund  
June 30, 2019

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$2,315,060
Receivables:	
Accounts	<u>223,100</u>
Total Assets	<u><u>2,538,160</u></u>
Liabilities:	
Accounts Payable	488,399
Other Liabilities	<u>2,049,761</u>
Total Liabilities	<u><u>\$2,538,160</u></u>

See accompanying notes to the basic financial statements.

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2019**

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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 Career Campuses 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 700 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
2. The organization was fiscally dependent upon the Center; or

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2019**

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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 Information Technology Center (HCC) formerly known as HCCA, Unified Purchasing Cooperative, and the Center for Collaborative Solutions, a regional council of governments as disclosed in Note 15. HCC is one of 23 regional Information Technology Centers (ITC) established by the State of Ohio. HCC is a member of the Ohio Educational Computer Network. HCC 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. HCC also provides technical and networking service to affiliate schools.

The Site Director and his staff manage the day-to-day affairs of HCC. 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 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.

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2019**

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**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred 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 deferred outflows, 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.

Title VI-B Special Education Fund – Fund used to account for federal monies provided to support programs for students with disabilities.

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

Capital Projects Fund – The Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Fiduciary Funds**

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



**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2019**

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Center's only fiduciary funds are Agency funds (Hamilton Clermont Cooperative 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. For the Center, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

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, 2019**

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(revenue) until that time. For the Center, deferred inflows of resources include grants, investment earnings, pension, OPEB, 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. Grants and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB are reported on the governmental-wide statement of net position. See Notes 8 and 9 for more pension and OPEB related information.

**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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2019**

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

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

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2019**

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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
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/Other Postemployment Benefits (OPEB)**

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

**Hamilton County Educational Service Center**  
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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 \$1,275,021 in restricted net position, none was restricted by enabling legislation.

**Interfund Activity**

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

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

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

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
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**Estimates**

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

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

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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 held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

**Hamilton County Educational Service Center  
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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Except as noted above, 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.

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2019, \$21,275,299 of the Center's bank balance of \$21,775,299 was exposed to custodial credit risk because it was uninsured and collateralized.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

### **Investments**

As of June 30, 2019, the Center had the following investments:

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**Hamilton County Educational Service Center**  
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	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Stocks*	\$105,703	Level 1	0.00
Money Market Funds	10,104	N/A	0.00
Federal Home Loan Bank	1,723,390	Level 2	3.95
Federal Farm Credit Bank	750,580	Level 2	4.20
Federal Home Loan Mortgage Corporation	3,597,924	Level 2	3.75
Commercial Paper	1,738,854	Level 2	1.28
Federal National Mortgage Association	982,058	Level 2	1.46
Negotiable CDs	3,831,936	Level 2	2.65
U.S. Treasury Notes	398,141	Level 1	1.42
U.S. Treasury Bill	766,277	Level 1	1.57
	<u>\$13,904,967</u>		
Portfolio Weighted Average Maturity			2.83

\*The amount of \$105,703 was donated stock by a private individual.

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2019. All investments of the Center are valued using quoted market prices.

**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 Federal Home Loan Bank, 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, Money Markets, 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, 12% in Federal Home Loan Bank, 26% in Federal Home Loan Mortgage Corporation, 7% in Federal National Mortgage Association, 5% in Federal Farm Credit Bank, 13% in Commercial Paper, 28% in Negotiable CDs, 3% in U.S. Treasury Notes, and 6% in U.S. Treasury Bills.

**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.



**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
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**Note 4 – Receivables**

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Receivables at June 30, 2019, consisted of accounts, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

**Note 5 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2019, 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
Construction in Progress	197,396	2,569,901	0	2,767,297
<b><i>Capital Assets, Being Depreciated</i></b>				
Buildings and Improvements	1,232,893	25,600	0	1,258,493
Equipment	<u>2,176,310</u>	<u>46,137</u>	<u>46,779</u>	<u>2,175,668</u>
Totals at Historical Cost	<u>5,005,349</u>	<u>2,641,638</u>	<u>46,779</u>	<u>7,600,208</u>
Less Accumulated Depreciation:				
Buildings and Improvements	315,423	33,888	0	349,311
Equipment	<u>1,643,168</u>	<u>104,302</u>	<u>46,257</u>	<u>1,701,213</u>
Total Accumulated Depreciation	<u>1,958,591</u>	<u>138,190</u>	<u>46,257</u>	<u>2,050,524</u>
Governmental Activities Capital Assets, Net	<u>\$3,046,758</u>	<u>\$2,503,448</u>	<u>\$522</u>	<u>\$5,549,684</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$36,300
Support Services:	
Instructional Staff	27,915
General Administration	11,471
School Administration	12,993
Business	1,215
Operations and Maintenance	21,842
Operation of Non-Instructional Services	<u>26,454</u>
Total Depreciation Expense	<u>\$138,190</u>

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
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**Note 6 - Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
Capital Lease Payable	\$1,820,000	\$5,000,000	\$1,820,000	\$5,000,000	\$190,000
Compensated Absences	4,185,450	328,053	203,000	4,310,503	245,043
Subtotal Capital Leases and Other Amounts	6,005,450	5,328,053	2,023,000	9,310,503	435,043
<b>Net Pension Liability:</b>					
STRS	55,777,804	0	1,398,535	54,379,269	0
SERS	16,060,139	220,202	0	16,280,341	0
Subtotal Net Pension Liability	71,837,943	220,202	1,398,535	70,659,610	0
<b>Net OPEB Liability:</b>					
STRS	9,161,122	0	9,161,122	0 (a)	0
SERS	6,868,720	616,228	0	7,484,948	0
Subtotal Net OPEB Liability	16,029,842	616,228	9,161,122	7,484,948	0
<b>Total Long-Term Obligations</b>	<b>\$93,873,235</b>	<b>\$6,164,483</b>	<b>\$12,582,657</b>	<b>\$87,455,061</b>	<b>\$435,043</b>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$3,974,118 as of June 30, 2019.

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

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

**Note 7 - Capital Leases**

The Center is leasing its administrative building from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the building during the lease term. Columbus Regional Airport Authority assigned U.S. Bank National Association as trustee. U.S. Bank National Association deposited \$2,341,000 in the Center's name for the purchase of the building. The lease is renewable annually and expires in 2036. The Center paid this lease off in full during fiscal year 2019.

The Center began making principal payments in fiscal year 2008. The principal amount owed on the lease at year end is \$0.

The Center entered into a capital lease in fiscal year 2019 for construction of a building addition, locking in the rate at 4.335%. 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, 2019.

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**Hamilton County Educational Service Center**  
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Fiscal Year Ending June 30,	Long-Term Debt
2020	\$402,632
2021	457,987
2022	461,607
2023	459,685
2024	457,331
2025-2029	2,291,177
2030-2034	2,285,296
Total Minimum Lease Payments	6,815,715
Less: Amount Representing Interest	(1,815,715)
Less: Additional Program Cost Component	0
Present Value of Minimum Lease Payments	<u>\$5,000,000</u>

**Note 8 - Defined Benefit Pension Plans**

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The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

**Net Pension Liability/Net OPEB Liability (Asset)**

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and OPEB 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 and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the Center's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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 and OPEB are financed; however, the Center does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB 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.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

**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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

**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

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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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$1,037,305 for fiscal year 2019. Of this amount \$0 is reported as accrued wages and benefits.

**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 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

**Funding Policy**

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$4,652,452 for fiscal year 2019. Of this amount \$643,746 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 2018, 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	\$16,280,341	\$54,379,269	\$70,659,610
Proportion of the Net Pension Liability:			
Current Measurement Date	0.36812260%	0.24731615%	
Prior Measurement Date	<u>0.34639030%</u>	<u>0.23480236%</u>	
Change in Proportionate Share	<u>0.02173230%</u>	<u>0.01251379%</u>	
Pension Expense	\$1,780,954	\$7,508,870	\$9,289,824

At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Hamilton County Educational Service Center  
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	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$892,874	\$1,255,240	\$2,148,114
Changes of assumptions	367,645	9,637,033	10,004,678
Changes in employer proportionate share of net pension liability	730,597	4,821,005	5,551,602
Contributions subsequent to the measurement date	1,037,305	4,652,452	5,689,757
Total Deferred Outflows of Resources	<u>\$3,028,421</u>	<u>\$20,365,730</u>	<u>\$23,394,151</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$355,129	\$355,129
Net difference between projected and actual earnings on pension plan investments	451,079	3,297,499	3,748,578
Changes in employer proportionate share of net pension liability	197,584	0	197,584
Total Deferred Inflows of Resources	<u>\$648,663</u>	<u>\$3,652,628</u>	<u>\$4,301,291</u>

\$5,689,757 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$1,621,680	\$6,844,094	\$8,465,774
2021	393,392	4,102,812	4,496,204
2022	(534,277)	1,353,255	818,978
2023	(138,342)	(239,511)	(377,853)
Total	<u>\$1,342,453</u>	<u>\$12,060,650</u>	<u>\$13,403,103</u>

**Actuarial Assumptions - SERS**

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

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

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**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2019**

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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 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	<u>100.00%</u>	



**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
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**Discount Rate**

The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$29,697,084	\$16,280,341	\$13,860,783

**Assumption and Benefit Changes Since the Prior Measurement Date**

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1 2018, actuarial valuation, are presented below:

Inflation	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Hamilton County Educational Service Center  
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STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS’ investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table represents the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45 percent or one percentage point higher 8.45 percent than the current discount rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$79,413,763	\$54,379,269	\$33,190,965

**Assumption and Benefit Changes since the Prior Measurement Date**

There were no changes in assumptions or benefit terms since the prior measurement date.

**Hamilton County Educational Service Center  
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**Note 9 - Defined Benefit OPEB Plans**

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See note 8 for a description of the net OPEB liability (asset).

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

**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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Funding Policy**

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the Center's surcharge obligation was \$69,031.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$91,724 for fiscal year 2019. Of this amount \$0 is reported as accrued wages and benefits.

**Hamilton County Educational Service Center  
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**Plan Description - State Teachers Retirement System (STRS)**

**Plan Description**

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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.

**Funding Policy**

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability (asset) was based on the Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$7,484,948	\$0	\$7,484,948
Proportionate Share of the Net OPEB (Asset)	0	(3,974,118)	(3,974,118)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.34938980%	0.24731615%	
Prior Measurement Date	<u>0.32981780%</u>	<u>0.23480236%</u>	
Change in Proportionate Share	<u>0.01957200%</u>	<u>0.01251379%</u>	
OPEB Expense	\$202,347	(\$8,471,697)	(\$8,269,350)

At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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**Hamilton County Educational Service Center  
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	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$122,181	\$464,184	\$586,365
Changes in employer proportionate share of net OPEB liability	375,719	814,653	1,190,372
Contributions subsequent to the measurement date	91,724	0	91,724
Total Deferred Outflows of Resources	<u>\$589,624</u>	<u>\$1,278,837</u>	<u>\$1,868,461</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$231,545	\$231,545
Changes of assumptions	672,467	5,415,052	6,087,519
Net difference between projected and actual earnings on OPEB plan investments	11,230	454,009	465,239
Changes in employer proportionate share of net OPEB liability	99,937	0	99,937
Total Deferred Inflows of Resources	<u>\$783,634</u>	<u>\$6,100,606</u>	<u>\$6,884,240</u>

\$91,724 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	(\$261,014)	(\$861,067)	(\$1,122,081)
2021	(187,638)	(861,067)	(1,048,705)
2022	44,720	(861,067)	(816,347)
2023	49,500	(757,958)	(708,458)
2024	48,722	(721,788)	(673,066)
Thereafter	19,976	(758,822)	(738,846)
Total	<u>(\$285,734)</u>	<u>(\$4,821,769)</u>	<u>(\$5,107,503)</u>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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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 OPEB liability in the latest actuarial valuation date of June 30 2018, are presented below:

Inflation	3.00%
Wage Increases	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62%
Prior Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70%
Prior Measurement Date	3.63%
Medical Trend Assumption:	
Medicare	5.375% to 4.75%
Pre-Medicare	7.25% to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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<u>Asset Class</u>	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	<u>10.00%</u>	3.00%
Total	<u><u>100.00%</u></u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease <u>(2.70%)</u>	Current Discount Rate <u>(3.70%)</u>	1% Increase <u>(4.70%)</u>
Proportionate share of the net OPEB liability	\$11,761,714	\$7,484,948	\$8,054,996

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	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$7,820,486	\$7,484,948	\$12,172,583

**Assumption and Benefit Changes since the Prior Measurement Date**

The following changes in key methods and assumptions as presented below:

(1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30 2018, actuarial valuation are presented below:

Projected Salary Increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3%
Discount Rate of Return	7.45%

Health Care Cost Trends:

Medical:

Pre-Medicare	6% initial, 4% ultimate
Medicare	5% initial, 4% ultimate

Prescription Drug:

Pre-Medicare	8% initial, 4% ultimate
Medicare	(5.23%) initial, 4% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.



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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

\*10 year annualized geometric nominal returns, which includes the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

**Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB (asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$3,406,191)	(\$3,974,118)	(\$4,451,433)

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	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$4,424,488)	(\$3,974,118)	(\$3,516,732)

**Assumption and Benefit Changes since the Prior Measurement Date**

The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

**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, 2019.

**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

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Limits and deductible amounts for the above policies vary accordingly.

<u>COVERAGE</u>	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
Automobile	\$1,000,000 each occurrence	\$500 collision
Property	\$1,000,000 each occurrence	\$500 each loss
General Liability	\$1,000,000 each occurrence \$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 \$26. This amount is provided from State resources.

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

**Note 13 – Accountability**

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

<u>Fund</u>	<u>Deficit</u>
Title I Disadvantaged Children	\$11,895
Head Start	146,212
Data Communication	1,939
Idea Preschool Grant	45,763
Refugee School Impact Grant	164
Miscellaneous State Grant	56,283
Title VI-B Special Education	462,755
Food Services	9,716

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2019**

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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, 2019, consisted of the following interfund receivables and interfund payables:

	Interfund	
	Receivable	Payable
General Fund	\$1,817,296	\$0
Title VI-B Special Education	0	624,642
Head Start Fund	0	1,024,610
Capital Projects	0	0
Other Governmental Funds	0	168,044
Total All Funds	<u>\$1,817,296</u>	<u>\$1,817,296</u>

Interfund balance 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 Information Technology Center

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a governmental jointly governed organization formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports HCC and shares in a percentage of equity based on the resources provided. HCC 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 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.

**Hamilton County Educational Service Center  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2019**

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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 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. The ESCs rotate those positions as determined by the COG Board. All other officers serve until his/her successor is appointed.

SWOOSH Consortium

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

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

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

**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:

**Hamilton County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2019**

Fund Balances	General	Title VI-B Special Education	Head Start	Capital Project	Other Governmental Funds	Total
<b>Nonspendable:</b>						
Prepays	\$86,788	\$3,143	\$10,279	\$0	\$1,551	\$101,761
Inventory	4,670	0	0	0	0	4,670
<b>Total Nonspendable</b>	<b>91,458</b>	<b>3,143</b>	<b>10,279</b>	<b>0</b>	<b>1,551</b>	<b>106,431</b>
<b>Restricted for:</b>						
Capital Projects	0	0	0	2,968,645	0	2,968,645
Other Grants	0	0	0	0	870,220	870,220
Miscellaneous Federal Grants	0	0	0	0	135,012	135,012
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,968,645</b>	<b>1,005,232</b>	<b>3,973,877</b>
<b>Assigned to:</b>						
Permanent Improvements	0	0	0	0	387,561	387,561
Capital Projects	0	0	0	8,284,050	0	8,284,050
Encumbrances	41,072	0	0	0	0	41,072
<b>Total Assigned</b>	<b>41,072</b>	<b>0</b>	<b>0</b>	<b>8,284,050</b>	<b>387,561</b>	<b>8,712,683</b>
<b>Unassigned (Deficit)</b>	<b>14,778,632</b>	<b>(465,898)</b>	<b>(156,491)</b>	<b>0</b>	<b>(127,132)</b>	<b>14,029,111</b>
<b>Total Fund Balance</b>	<b>\$14,911,162</b>	<b>(\$462,755)</b>	<b>(\$146,212)</b>	<b>\$11,252,695</b>	<b>\$1,267,212</b>	<b>\$26,822,102</b>

**Note 18 – Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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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 Six Fiscal Years (1) (2)

Year	Center's Proportion of the Net Pension Liability	Center's Proportionate Share of the Net Pension Liability	Center's Covered Payroll	Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.24731615%	\$54,379,269	\$29,615,243	183.62%	77.30%
2018	0.23480236%	55,777,804	27,319,557	204.17%	75.30%
2017	0.22515006%	75,364,512	24,876,314	302.96%	66.80%
2016	0.22475533%	62,115,799	24,771,250	250.76%	72.10%
2015	0.20353901%	49,507,731	22,395,762	221.06%	74.70%
2014	0.20353901%	58,814,466	38,195,800	153.98%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.



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 Six Fiscal Years (1) (2)

Year	Center's Proportion of the Net Pension Liability	Center's Proportionate Share of the Net Pension Liability	Center's Covered Payroll	Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2019	0.36812260%	\$16,280,341	\$9,193,370	177.09%	71.36%
2018	0.34639030%	16,060,139	7,460,564	215.27%	69.50%
2017	0.35531050%	20,843,368	8,794,593	237.00%	62.98%
2016	0.34155250%	15,532,986	9,393,361	165.36%	69.16%
2015	0.29964300%	12,080,856	8,794,986	137.36%	71.70%
2014	0.29964300%	14,199,431	14,529,747	97.73%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of Center's Contributions for Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

Year	Center's Contractually Required Contribution	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2019	\$4,652,452	(\$4,652,452)	\$0	\$33,231,800	14.00%
2018	4,146,134	(4,146,134)	0	29,615,243	14.00%
2017	3,824,738	(3,824,738)	0	27,319,557	14.00%
2016	3,482,684	(3,482,684)	0	24,876,314	14.00%
2015	3,467,975	(3,467,975)	0	24,771,250	14.00%
2014	2,911,449	(2,911,449)	0	22,395,762	13.00%
2013	4,965,454	(4,965,454)	0	38,195,800	13.00%
2012	4,631,272	(4,631,272)	0	35,625,169	13.00%
2011	4,786,028	(4,786,028)	0	36,815,600	13.00%
2010	4,634,525	(4,634,525)	0	35,650,192	13.00%

See accompanying notes to the required supplementary information.

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of Center's Contributions for Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

Year	Center's Contractually Required Contribution	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2019	\$1,037,305	(\$1,037,305)	\$0	\$7,683,741	13.50%
2018	963,097	(963,097)	0	7,134,052	13.50%
2017	1,044,479	(1,044,479)	0	7,460,564	14.00%
2016	1,231,243	(1,231,243)	0	8,794,593	14.00%
2015	1,238,045	(1,238,045)	0	9,393,361	13.18%
2014	1,218,985	(1,218,985)	0	8,794,986	13.86%
2013	2,010,917	(2,010,917)	0	14,529,747	13.84%
2012	1,908,012	(1,908,012)	0	14,185,963	13.45%
2011	1,977,120	(1,977,120)	0	15,728,878	12.57%
2010	2,109,654	(2,109,654)	0	15,580,901	13.54%

See accompanying notes to the required supplementary information.

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share of the Net OPEB (Asset)/Liability  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1) (2)

Year	Center's Proportion of the Net OPEB (Asset)/Liability	Center's Proportionate Share of the Net OPEB (Asset)/Liability	Center's Covered Payroll	Center's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2019	0.24731615%	(\$3,974,118)	\$29,615,243	(13.42%)	176.00%
2018	0.23480236%	9,161,122	27,319,557	33.53%	47.10%
2017	0.22515006%	12,041,084	24,876,314	48.40%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Three Fiscal Years (1) (2)

Year	Center's Proportion of the Net OPEB Liability	Center's Proportionate Share of the Net OPEB Liability	Center's Covered Payroll	Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2019	0.34938980%	\$7,484,948	\$7,134,052	104.92%	13.57%
2018	0.32981780%	6,868,720	7,460,564	92.07%	12.46%
2017	0.33951784%	9,677,514	8,794,593	110.04%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of Center's Contributions for Net OPEB (Asset)/Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

Year	Center's Contractually Required Contribution	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2019	\$0	\$0	\$0	\$33,231,800	0.00%
2018	0	0	0	29,615,243	0.00%
2017	0	0	0	27,319,557	0.00%
2016	0	0	0	24,876,314	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Hamilton County Educational Service Center  
 Required Supplementary Information  
 Schedule of Center's Contributions for Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1) (2)

Year	Center's Contractually Required Contribution (2)	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2019	\$91,724	(\$91,724)	\$0	\$9,950,452	0.92%
2018	127,820	(127,820)	0	7,134,052	1.79%
2017	79,439	(79,439)	0	7,460,564	1.06%
2016	83,622	(83,622)	0	8,794,593	0.95%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required 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, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$706,800	\$726,798	\$726,798	\$0
Investment Earnings	285,448	293,524	293,524	0
Intergovernmental	2,926,416	3,009,216	3,009,216	0
Charges for Services	45,765,625	47,060,520	47,060,520	0
Other Revenues	381,108	391,891	391,891	0
<b>Total Revenues</b>	<b>50,065,397</b>	<b>51,481,949</b>	<b>51,481,949</b>	<b>0</b>
Expenditures:				
Current:				
Instruction:				
Special	7,685,286	8,056,380	8,056,380	0
Vocational	18,610	19,509	19,509	0
Support Services:				
Pupil	12,127,092	12,712,664	12,712,664	0
Instructional Staff	10,317,101	10,815,276	10,815,276	0
General Administration	62,928	65,967	65,967	0
School Administration	5,023,485	5,266,050	5,266,050	0
Fiscal	906,494	950,265	950,265	0
Business	762,359	799,170	799,170	0
Operations and Maintenance	268,992	281,981	281,981	0
Pupil Transportation	20,781	21,784	21,784	0
Central	1,255,770	1,316,407	1,316,407	0
Operation of Non-Instructional Services	7,298,864	7,651,299	7,651,299	0
Capital Outlay	2,596,958	2,722,356	2,722,356	0
<b>Total Expenditures</b>	<b>48,344,720</b>	<b>50,679,108</b>	<b>50,679,108</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,720,677</b>	<b>802,841</b>	<b>802,841</b>	<b>0</b>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,725	10,000	10,000	0
Advances In	1,346,973	1,385,084	1,385,084	0
Advances (Out)	(1,733,589)	(1,817,298)	(1,817,298)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(376,891)</b>	<b>(422,214)</b>	<b>(422,214)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>1,343,786</b>	<b>380,627</b>	<b>380,627</b>	<b>0</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	17,319,024	17,319,024	17,319,024	0
<b>Fund Balance End of Year</b>	<b>\$18,662,810</b>	<b>\$17,699,651</b>	<b>\$17,699,651</b>	<b>\$0</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, 2019

	Head Start Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$8,179,036	\$8,240,534	\$8,240,534	\$0
Total Revenues	8,179,036	8,240,534	8,240,534	0
Expenditures:				
Current:				
Support Services:				
School Administration	142,458	296,852	296,852	0
Fiscal	175,419	365,535	365,535	0
Operation of Non-Instructional Services	3,998,006	8,330,990	8,330,990	0
Total Expenditures	4,315,883	8,993,377	8,993,377	0
Excess of Revenues Over (Under) Expenditures	3,863,153	(752,843)	(752,843)	0
Other Financing Sources (Uses):				
Advances In	1,016,964	1,024,610	1,024,610	0
Advances (Out)	(484,958)	(1,010,548)	(1,010,548)	0
Total Other Financing Sources (Uses)	532,006	14,062	14,062	0
Net Change in Fund Balance	4,395,159	(738,781)	(738,781)	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	738,781	738,781	738,781	0
Fund Balance End of Year	\$5,133,940	\$0	\$0	\$0

See accompanying notes to the supplementary information.

Hamilton County Educational Service Center  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2019

	Title VI-B Special Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,815,265	\$1,844,521	\$1,844,521	\$0
Total Revenues	<u>1,815,265</u>	<u>1,844,521</u>	<u>1,844,521</u>	<u>0</u>
Expenditures:				
Current:				
Support Services:				
Instructional Staff	2,640,228	2,458,126	2,458,126	0
Fiscal	92,055	85,706	85,706	0
Operations and Maintenance	128,890	120,000	120,000	0
Total Expenditures	<u>2,861,173</u>	<u>2,663,832</u>	<u>2,663,832</u>	<u>(0)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,045,908)</u>	<u>(819,311)</u>	<u>(819,311)</u>	<u>0</u>
Other Financing Sources (Uses):				
Advances In	614,735	624,642	624,642	0
Advances (Out)	<u>(236,402)</u>	<u>(220,097)</u>	<u>(220,097)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>378,333</u>	<u>404,545</u>	<u>404,545</u>	<u>0</u>
Net Change in Fund Balance	(667,575)	(414,766)	(414,766)	0
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>415,298</u>	<u>415,298</u>	<u>415,298</u>	<u>0</u>
Fund Balance End of Year	<u>(\$252,277)</u>	<u>\$532</u>	<u>\$532</u>	<u>\$0</u>

See accompanying notes to the supplementary information.

**Hamilton County Educational Service Center  
Notes to the Supplementary Information  
For The Fiscal Year Ended June, 30, 2019**

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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 2019.

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 to the budgetary basis for the General Fund, Head Start Fund, and Title VI-B Special Education Fund:

	Net Change in Fund Balance		
	General	Head Start	Special Education
	<u>          </u>	<u>          </u>	<u>          </u>
GAAP Basis	(\$627,907)	(\$605,679)	(\$488,433)
Revenue Accruals	1,101,807	159,448	0
Expenditure Accruals	380,367	(7,830)	34,482
Advances In	1,385,084	1,024,610	624,642
Advances Out	(1,817,298)	(1,010,548)	(220,097)
Encumbrances	(41,426)	(298,782)	(365,360)
Budget Basis	<u>\$380,627</u>	<u>(\$738,781)</u>	<u>(\$414,766)</u>

**Note 2 - Net Pension Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

**Hamilton County Educational Service Center  
Notes to the Supplementary Information  
For The Fiscal Year Ended June, 30, 2019**

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- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**Note 3 - Net OPEB (Asset)/Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

**Changes in Assumptions:**

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,

**Hamilton County Educational Service Center  
Notes to the Supplementary Information  
For The Fiscal Year Ended June, 30, 2019**

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- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

**Changes in Assumptions:**

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal 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	N/A	<u>\$298,562</u>
Total U.S. Department of Agriculture			<u><b>298,562</b></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	S010A170035 & S010A180035	72,375
English Language Acquisition Grants	84.365	S365A180035	62,015
Special Education Cluster			
Special Education - Grants to the States	84.027	H027A170111 & H027A180111	2,299,004
Special Education - Preschool Grants	84.173	H173A170119 & H173A180119	<u>122,738</u>
Total Special Education Cluster			2,421,742
State Personnel Development Grant	84.323	H323A170026	10,000
School Climate Transformation	84.184	S184F140016	<u>269</u>
Total U.S. Department of Education			<u><b>2,566,401</b></u>
<b>U.S. DEPARTMENT OF Health &amp; Human Services</b>			
<i>Direct Program</i>			
Head Start	93.600	05CH8471	8,396,033
<i>Passed Through Ohio Department of Job &amp; Family Services</i>			
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	1701OHRSOC & 1801OHRSOC	22,443
Total U.S. Department of Health & Human Services			<u><b>8,418,476</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$11,283,439</b></u>

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

**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hamilton County Educational Service Center (the Center) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position or changes in net position of the Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - 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.





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**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 Body:

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, 2019, 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, 2020.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

March 17, 2020



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Governing Body:

***Report on Compliance for the Major Federal Program***

We have audited the Hamilton County Educational Service Center's, Hamilton County, Ohio (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Hamilton County Educational Service Center's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal program.

***Management's Responsibility***

The Center's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Center's compliance for the Center's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the Center's co

***Opinion on the Major Federal Program***

In our opinion, the Hamilton County Educational Service Center, Hamilton County, Ohio, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

***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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

March 17, 2020

**HAMILTON COUNTY EDUCATIONAL SERVICE CENTER  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

**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 weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA 93.600 Head Start
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**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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# OHIO AUDITOR OF STATE KEITH FABER



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, 2020