MAHONING COUNTY EDUCATIONAL SERVICE CENTER

MAHONING COUNTY, OHIO

Audit Report

For the Year Ended June 30, 2019

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Members of the Board
Mahoning County Educational Service Center
7320 N. Palmyra Road
Canfield, OH 44406

We have reviewed the *Independent Auditor's Report* of the Mahoning County Educational Service Center, Mahoning County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2020

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Mahoning County Educational Service Center
Mahoning County

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INDEPENDENT AUDITOR'S REPORT

Mahoning County Educational Service Center
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mahoning County Educational Service Center, Mahoning County, Ohio (the ESC), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Mahoning County Educational Service Center, Mahoning 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 that the management's discussion and analysis, schedules of net pension liabilities, net OPEB assets/liabilities, pension contributions and OPEB contributions, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ESC's basic financial statements. The budgetary comparison schedule (Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) is presented for purposes of 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 Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019, on our consideration of the ESC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ESC's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
December 26, 2019

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The management's discussion and analysis of the Mahoning County Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the ESC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased $4,002,725 which represents a 12.18% increase from 2018 net position.
- General revenues accounted for $1,542,189 or 5.88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $24,698,270 or 94.12% of total revenues of $26,240,459.
- The ESC had $22,237,734 in expenses related to governmental activities; these expenses were offset by $24,698,270 in program specific charges for services and sales, grants or contributions and general revenues (primarily unrestricted grants and entitlements) of $1,542,189.
- The ESC's major governmental fund is the general fund. The general fund had $23,076,698 in revenues and $24,045,711 in expenditures. During fiscal year 2019, the general fund's fund balance decreased from a balance of $492,617 to a deficit of $476,396.

Using these Basic Financial Statements

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

The s*tatement of net position* and s*tatement of activities* provide information about the activities of the whole ESC, presenting both an aggregate view of the ESC'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 ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund is the only governmental fund reported as a major fund.

Reporting the ESC as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the ESC as a whole, the *financial position* of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the ESC's facility issues, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The government-wide financial statements include not only the activity of the ESC itself (known as the primary government), but also a separate community school for which the ESC is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental funds begins on page 12. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's only major governmental fund is the general fund.

Governmental Funds

Most of the ESC'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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the ESC'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 basic financial statements.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the ESC's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the ESC's net pension liability and net OPEB liability/asset.

The ESC as a Whole

Recall that the statement of net position provides the perspective of the ESC as a whole. The table below provides a summary of the ESC's net position at June 30, 2019 and June 30, 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current and other assets	$ 6,346,073	$ 5,781,646
Capital assets, net	583,513	698,045
Total assets	6,929,586	6,479,691
Deferred outflows of resources		
Pension	10,660,734	11,605,712
OPEB	714,220	283,720
Total deferred outflows of resources	11,374,954	11,889,432
Liabilities		
Current liabilities	2,930,984	3,769,199
Long-term liabilities:		
Due within one year	148,844	218,945
Due in more than one year:		
Net pension liability	32,707,457	32,645,387
Net OPEB liability	2,157,195	6,504,391
Other amounts	496,111	603,977
Long-term liabilities	35,509,607	39,972,700
Total liabilities	38,440,591	43,741,899
Deferred inflows of resources		
Pension	4,346,112	5,067,698
OPEB	4,389,856	2,434,270
Total deferred inflows of resources	8,735,968	7,501,968
Net position		
Net investment in capital assets	503,742	587,134
Restricted	597,806	436,678
Unrestricted (deficit)	(29,973,567)	(33,898,556)
Total net position (deficit)	$ (28,872,019)	$ (32,874,744)

The net pension liability (NPL) is the largest single liability reported by the ESC at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The ESC has adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the ESC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the ESC's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the ESC is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the ESC's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the ESC's liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by $28,872,019.

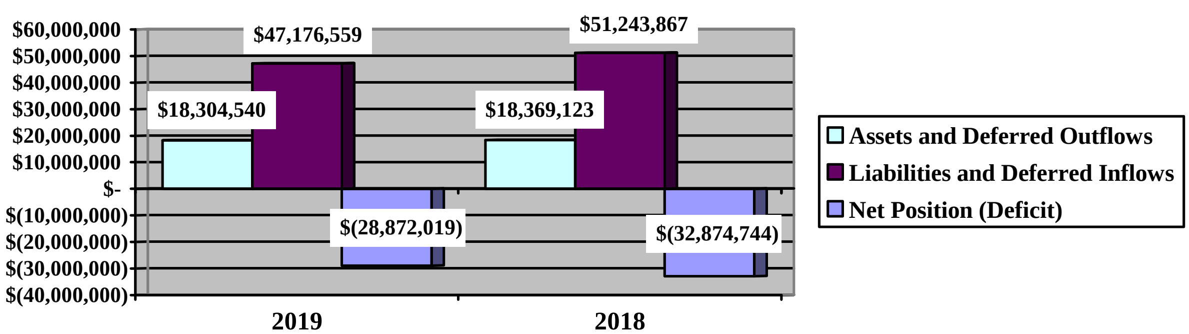
As the previous table illustrates, the most significant changes in net position were related to the ESC's net pension liability and net OPEB liability/asset, and the related deferred inflows/outflows of resources. See Note 12 and Note 13 in the notes to the basic financial statements for additional information regarding these components of net position.

At June 30, 2019, capital assets represented 8.42% of total assets. Capital assets include land improvements, leasehold improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2019 was $503,742. These capital assets are used to provide services to the students and are not available for future spending.

At June 30, 2019, a portion of the ESC's net position, $597,806, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position at June 30, 2019 is a deficit of $29,973,567. This represents a decrease of $3,924,989 compared to the prior year's deficit, which is primarily due to the pension and OPEB calculations.

The table below illustrates the ESC's assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2019 and 2018.

Governmental Activities



The following table shows the change in net position for fiscal years 2019 and 2018.

Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program revenues:		
Charges for services and sales	$ 21,318,020	$ 29,905,323
Operating grants and contributions	3,380,250	2,114,810
General revenues:		
Grants and entitlements	1,064,133	1,099,950
Investment earnings	83,379	7,307
Other	394,677	253,756
Total revenues	26,240,459	33,381,146
Expenses		
Program expenses:		
Instruction:		
Regular	1,756,278	8,296,267
Special	6,723,276	4,011,183
Vocational	155,770	56,149
Adult/continuing	2,605	8,548
Other	88,242	249,934
Support services:		
Pupil	6,947,700	2,714,723
Instructional staff	2,777,559	102,353
Board of education	47,999	33,126
Administration	506,428	402,723
Fiscal	638,331	304,614
Business	657,346	367,678
Operations and maintenance	540,079	804,751
Pupil transportation	5,108	32,599
Central	224,651	144,426
Operation of non-instructional services	1,155,503	844,003
Extracurricular activities	5,459	6,080
Interest and fiscal charges	5,400	7,156
Total expenses	22,237,734	18,386,313
Change in net position	4,002,725	14,994,833
Net position (deficit) at beginning of year	(32,874,744)	(47,869,577)
Net position (deficit) at end of year	$ (28,872,019)	$ (32,874,744)

Governmental Activities

Net position of the ESC's governmental activities increased $4,002,725. Total governmental expenses of $22,237,734 were offset by program revenues of $24,698,270 and general revenues of $1,542,189.

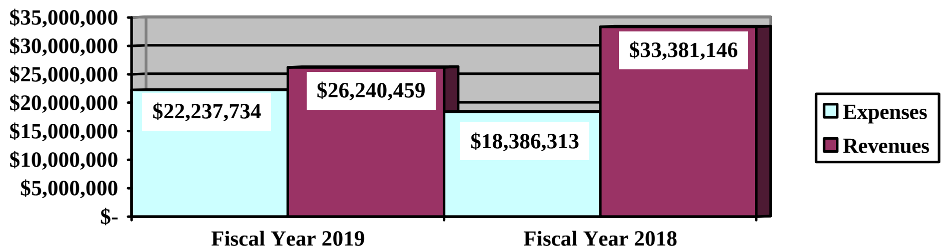
The primary sources of revenue for governmental activities are derived from charges for services and sales, and operating grants and contributions. These revenue sources represent 94.12% of total governmental revenue. The decrease in charges for services and sales resulted from lower demand for contracted services from member entities. Operating grants and contributions increased, primarily due to additional state grant funding.

Expenses of the governmental activities increased $3,851,421 or 20.95%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the ESC reported $2,448,318 and $(11,983,426) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported $(4,838,879) and $(1,899,418) in OPEB expense for fiscal year 2019 and 2018, respectively. The total net increase in pension expense and OPEB expense from fiscal year 2018 to fiscal year 2019 was $11,492,283. Therefore, minus the effect of pension expense and OPEB expense, total expenses actually decreased $7,640,862. This is consistent with the decrease in revenues due to lower demand for contracted services from member entities.

The graph below presents the ESC's governmental activities revenues and expenses for fiscal years 2019 and 2018.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues such as unrestricted grants and entitlements.

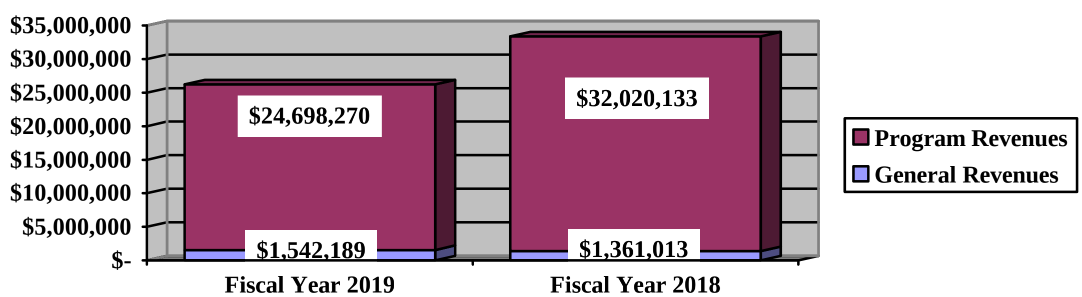
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	$ 1,756,278	$ 1,602,373	$ 8,296,267	$ 8,265,554
Special	6,723,276	(1,502,457)	4,011,183	(7,049,146)
Vocational	155,770	43,413	56,149	14,478
Adult/continuing	2,605	2,605	8,548	8,548
Other	88,242	88,242	249,934	249,934
Support services:				
Pupil	6,947,700	(1,990,769)	2,714,723	(8,378,102)
Instructional staff	2,777,559	(1,300,297)	102,353	(5,896,730)
Board of education	47,999	26,999	33,126	11,126
Administration	506,428	(163,598)	402,723	(821,708)
Fiscal	638,331	(151,573)	304,614	(665,264)
Business	657,346	657,346	367,678	367,678
Operations and maintenance	540,079	537,607	804,751	802,185
Pupil transportation	5,108	1,620	32,599	32,386
Central	224,651	(68,405)	144,426	(353,526)
Operation of non-instructional services	1,155,503	(249,822)	844,003	(229,001)
Extracurricular activities	5,459	780	6,080	612
Interest and fiscal charges	5,400	5,400	7,156	7,156
Total expenses	$ 22,237,734	$ (2,460,536)	$ 18,386,313	$ (13,633,820)

The ESC's charges for services and sales and operating grants and contributions, as a whole, are the primary support for ESC's operations. These revenue sources were adequate to provide for the total cost of services for both fiscal year 2019 and 2018.

The graph below presents the ESC's governmental activities revenue for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



The ESC's Funds

At June 30, 2019, the ESC's governmental funds reported a combined fund balance of $130,202, which represents a decrease from last year's total of $672,964. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance (Deficit) June 30, 2019	Fund Balance June 30, 2018	Increase (Decrease)	Percentage Change
General	$ (476,396)	$ 492,617	$ (969,013)	(196.71) %
Nonmajor governmental	606,598	180,347	426,251	236.35 %
Total	$ 130,202	$ 672,964	$ (542,762)	(80.65) %

General Fund

The ESC's general fund balance decreased by $969,013. The tables that follow assist in illustrating the financial activities and change in fund balance of the general fund.

	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
Revenues				
Customer services	$ 18,728,344	$ 27,743,478	$ (9,015,134)	(32.49) %
Tuition	2,451,350	2,992,896	(541,546)	(18.09) %
Earnings on investments	82,740	6,888	75,852	1,101.22 %
Intergovernmental	1,480,170	1,564,867	(84,697)	(5.41) %
Other revenues	334,094	252,485	81,609	32.32 %
Total	$ 23,076,698	$ 32,560,614	$ (9,483,916)	(29.13) %
Expenditures				
Instruction	$ 9,363,750	$ 17,443,363	$ (8,079,613)	(46.32) %
Support services	14,129,931	14,659,059	(529,128)	(3.61) %
Non-instructional services	515,490	608,438	(92,948)	(15.28) %
Debt service	36,540	40,610	(4,070)	(10.02) %
Total	$ 24,045,711	$ 32,751,470	$ (8,705,759)	(26.58) %

The overall decrease in general fund revenues and expenditures is a result of lower demand for contracted services from member entities. The primary source of revenue for the general fund comes from customer services and tuition revenues, which collectively comprise the revenue earned from services provided to other school districts. These two sources combined accounted for 91.78% of total general fund revenues in 2019, compared to 94.40% in the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the ESC had $583,513 invested in leasehold improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2019 balances compared to June 30, 2018:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Leasehold improvements	$ 372,409	$ 455,686
Furniture and equipment	202,947	232,947
Vehicles	8,157	9,412
Total	$ 583,513	$ 698,045

There were no additions to capital assets in fiscal year 2019. Total disposals, net of accumulated depreciation amounted to $328. The ESC reported depreciation expense for the year of $114,204. See Note 7 in the notes to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2019, the only long-term debt outstanding for the ESC is capital lease obligations of $79,771. Of this total, $32,923 is due within one year and $46,848 is due in more than one year. There were no capital lease additions during the year and principal payments on the leases totaled $31,140. See Notes 8 and 9 in the notes to the basic financial statements for additional information on the ESC's debt administration.

Current Financial Related Activities

The ESC relies heavily on contracts with local, city, parochial and community schools in Mahoning County, State Foundation revenue, grants and the fiscal agency role we provide to several entities. The ESC's financial condition has remained stable. Through new contracts with locals, sponsorship capability and providing the fiscal and administrative role to several entities, the ESC will be able to provide the necessary funds to meet operating expenses in the future.

There are some challenges that the ESC faces that can affect funding. One challenge the ESC faces is the State's financial situation. The State has reduced dollars to the ESC's State Foundation, major programs and grants. These funds provide support to the ESC's programs that are offered to the districts the ESC serves. Without these funds local districts are forced to pay more of the services they contract for. The ESC is very sensitive to the cost of its programs to Mahoning County districts. Because of the funding reductions made from the State, the ESC's districts may be forced to contract for services from other entities who offer a better price.

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Ryan Jones, Treasurer, Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
Assets:		
Equity in pooled cash and investments	$	2,253,480
Receivables:		
Accounts		32,843
Intergovernmental		1,685,521
Accrued interest		5,182
Loans		271,519
Prepayments		23,169
Materials and supplies inventory		41,467
Net OPEB asset		2,032,892
Capital assets:		
Depreciable capital assets, net		583,513
Capital assets, net		583,513
Total assets		6,929,586
Deferred outflows of resources:		
Pension		10,660,734
OPEB		714,220
Total deferred outflows of resources		11,374,954
Liabilities:		
Accounts payable		43,942
Accrued wages and benefits payable		1,996,846
Intergovernmental payable		25,996
Pension and postemployment benefits payable		240,567
Unearned revenue		623,633
Long-term liabilities:		
Due within one year		148,844
Due in more than one year:		
Net pension liability (See Note 12)		32,707,457
Net OPEB liability (See Note 13)		2,157,195
Other amounts due in more than one year		496,111
Total liabilities		38,440,591
Deferred inflows of resources:		
Pension		4,346,112
OPEB		4,389,856
Total deferred inflows of resources		8,735,968
Net position:		
Net investment in capital assets		503,742
Restricted for:		
Capital projects		9,817
Locally funded programs		293,633
State funded programs		150,847
Federally funded programs		122,580
Student activities		419
Other purposes		20,510
Unrestricted (deficit)		(29,973,567)
Total net position (deficit)	$	(28,872,019)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 1,756,278	$ -	$ 153,905	$ (1,602,373)
Special	6,723,276	7,819,335	406,398	1,502,457
Vocational	155,770	-	112,357	(43,413)
Adult/continuing	2,605	-	-	(2,605)
Other	88,242	-	-	(88,242)
Support services:				
Pupil	6,947,700	8,000,661	937,808	1,990,769
Instructional staff	2,777,559	3,862,359	215,497	1,300,297
Board of education	47,999	-	21,000	(26,999)
Administration	506,428	625,001	45,025	163,598
Fiscal	638,331	717,003	72,901	151,573
Business	657,346	-	-	(657,346)
Operations and maintenance	540,079	-	2,472	(537,607)
Pupil transportation	5,108	-	3,488	(1,620)
Central	224,651	287,656	5,400	68,405
Operation of non-instructional services	1,155,503	1,326	1,403,999	249,822
Extracurricular activities	5,459	4,679	-	(780)
Interest and fiscal charges	5,400	-	-	(5,400)
Total governmental activities	$ 22,237,734	$ 21,318,020	$ 3,380,250	2,460,536
General revenues:				
Grants and entitlements not restricted to specific programs				1,064,133
Investment earnings				83,379
Miscellaneous				394,677
Total general revenues				1,542,189
Change in net position				4,002,725
Net position (deficit) at beginning of year				(32,874,744)
Net position (deficit) at end of year				$ (28,872,019)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	$ 1,581,776	$ 671,704	$ 2,253,480
Receivables:			
Accounts	32,843	-	32,843
Intergovernmental	1,377,415	308,106	1,685,521
Accrued interest	5,182	-	5,182
Prepayments	22,259	910	23,169
Materials and supplies inventory	41,467	-	41,467
Due from other funds	191,345	-	191,345
Loans to other funds	274,133	-	274,133
Total assets	$ 3,526,420	$ 980,720	$ 4,507,140
Liabilities:			
Accounts payable	$ 15,626	$ 28,316	$ 43,942
Accrued wages and benefits payable	1,905,793	91,053	1,996,846
Compensated absences payable	15,854	-	15,854
Intergovernmental payable	25,119	877	25,996
Pension and postemployment benefits payable	232,104	8,463	240,567
Due to other funds	-	191,345	191,345
Unearned revenue	623,633	-	623,633
Loans from other funds	-	2,614	2,614
Total liabilities	2,818,129	322,668	3,140,797
Deferred inflows of resources:			
Customer services revenue not available	1,112,810	-	1,112,810
Intergovernmental revenue not available	-	51,204	51,204
Accrued interest not available	3,403	-	3,403
Tuition revenue not available	6,565	-	6,565
Miscellaneous revenue not available	61,909	250	62,159
Total deferred inflows of resources	1,184,687	51,454	1,236,141
Fund balances:			
Nonspendable:			
Materials and supplies inventory	41,467	-	41,467
Prepayments	22,259	910	23,169
Long-term loans	2,614	-	2,614
Unclaimed monies	13,287	-	13,287
Restricted:			
Capital improvements	-	9,817	9,817
Other purposes	-	541,227	541,227
Student activities	-	419	419
Committed:			
Capital improvements	-	138,245	138,245
Unassigned (deficit)	(556,023)	(84,020)	(640,043)
Total fund balances	(476,396)	606,598	130,202
Total liabilities, deferred inflows of resources and fund balances	$ 3,526,420	$ 980,720	$ 4,507,140

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances		$ 130,202
Amounts reported for governmental activities on 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.		583,513
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Customer services receivable	$ 1,112,810	
Tuition receivable	6,565	
Other accounts receivable	62,159	
Accrued interest receivable	3,403	
Intergovernmental receivable	51,204	
Total		1,236,141
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - pension	10,660,734	
Deferred inflows of resources - pension	(4,346,112)	
Net pension liability	(32,707,457)	
Total		(26,392,835)
The net OPEB liability and asset are not due and payable in the current period; therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.		
Deferred outflows of resources - OPEB	714,220	
Deferred inflows of resources - OPEB	(4,389,856)	
Net OPEB asset	2,032,892	
Net OPEB liability	(2,157,195)	
Total		(3,799,939)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(549,330)	
Capital lease obligations	(79,771)	
Total		(629,101)
Net position of governmental activities		$ (28,872,019)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Tuition	$ 2,451,350	$ -	$ 2,451,350
Earnings on investments	82,740	-	82,740
Charges for services	1,326	-	1,326
Customer services	18,728,344	-	18,728,344
Other local revenues	332,768	33,514	366,282
Intergovernmental - intermediate	-	263,899	263,899
Intergovernmental - state	1,448,602	1,399,780	2,848,382
Intergovernmental - federal	31,568	1,542,303	1,573,871
Total revenues	23,076,698	3,239,496	26,316,194
Expenditures:			
Current:			
Instruction:			
Regular	1,718,521	177,797	1,896,318
Special	7,473,734	448,395	7,922,129
Vocational	75,832	96,635	172,467
Adult/continuing	6,177	-	6,177
Other	89,486	-	89,486
Support services:			
Pupil	7,647,044	894,028	8,541,072
Instructional staff	3,684,409	250,481	3,934,890
Board of education	26,147	23,532	49,679
Administration	597,377	52,181	649,558
Fiscal	685,313	67,705	753,018
Business	676,331	-	676,331
Operations and maintenance	536,260	2,874	539,134
Pupil transportation	2,108	3,000	5,108
Central	274,942	5,400	280,342
Operation of non-instructional services	515,490	785,758	1,301,248
Extracurricular activities	-	5,459	5,459
Debt service:			
Principal retirement	31,140	-	31,140
Interest and fiscal charges	5,400	-	5,400
Total expenditures	24,045,711	2,813,245	26,858,956
Net change in fund balance	(969,013)	426,251	(542,762)
Fund balance at beginning of year	492,617	180,347	672,964
Fund balance (deficit) at end of year	$ (476,396)	$ 606,598	$ 130,202

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		$	(542,762)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.			(114,204)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.			(328)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Customer services	180,427		
Tuition	(55,681)		
Earnings on investments	61,649		
Intergovernmental	(262,769)		
Other revenues	639		
Total			(75,735)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.			31,140
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.			2,162,856
Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.			(2,448,318)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.			16,123
Except for amounts reported as deferred inflows/outflows of resources, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.			4,838,879
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			135,074
Change in net position of governmental activities		$	4,002,725

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency
Assets:	
Equity in pooled cash and investments	$ 28,098
Receivables:	
Intergovernmental	772,681
Prepayments	2,121
Total assets	$ 802,900
Liabilities:	
Accrued wages and benefits	$ 139,238
Pension and postemployment benefits payable	17,374
Intergovernmental payable	1,800
Loans payable	271,519
Undistributed monies	372,969
Total liabilities	$ 802,900

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ESC

On July 18, 1914, the Mahoning County Governing Board was formed. In 1996 the Governing Board, as required by State law, underwent a name change to the Mahoning County Educational Service Center (the "ESC"). The ESC provides administrative, curricular, instructional, pupil personnel and professional staff development services to local school districts. Direct instructional programs are provided to students with disabilities, preschool students and their families.

The ESC operates under a locally-elected five-member Governing Board form of government and provides educational services as mandated by State and federal agencies. The Governing Board oversees the ESC's operation and its staff of 247 certified and 65 non-certified personnel. Staff members support the educational efforts of 18 school districts, 3 community schools and various other entities throughout the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes general operations and student related activities of the ESC.

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's Governing Board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the ESC does not have any component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)
ACCESS is a jointly governed organization among 26 school districts, 1 special education resource center, 2 county educational service centers, 9 non-public schools and 1 public library. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The eight-member Board of Directors consists of 2 treasurers and 6 superintendents from participating school districts. The ACCESS executive director and treasurer are ex-officio members of the Board of Directors. The degree of control exercised by any participating school district is limited to its representation on the Board. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. The consortium revenues are generated from charges for services, State funding and E-rateable services.

State Support Team Region 5 (SST)
The SST is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties and Youngstown City. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and in particular, to improvements in instructional programs.

The SST is governed by a Governing Board made up of 19 representatives of the participating school districts, the business community and Youngstown State University. Members' terms rotate annually. The degree of control exercised by any participating school district is limited to its representation of the Governing Board. The ESC serves as fiscal agent for the SST.

Mahoning Valley Regional Council of Governments ("Council")
The Council was created as a regional council of governments by an Agreement between the Board of Education of the ESC, the Board of Education of the Struthers City School District ("Struthers CSD") and the Board of Education of the Canfield Local School District ("Canfield LSD"). The Council is governed by a Governing Board consisting of one elected member of the ESC and one elected board member from the county to be chosen by appointment from the ESC Board; the Struthers CSD Superintendent; the Canfield LSD Superintendent; and two at-large Superintendent representatives and one at-large Treasurer member. The ESC's Treasurer is the Fiscal Officer for the Council.

The Council employs personnel to perform teaching and non-teaching services for educational entities, and the Council provides for the assignment, reassignment, evaluation, discipline, compensation and fringe benefits for such personnel. The Council enters into service agreements with participating entities in which the entities agree to pay the Council a percentage of all personnel costs incurred by the Council required to perform the services desired.

RELATED ORGANIZATIONS

Mahoning County Career and Technical Center
The Mahoning County Career and Technical Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The 5 members of the Governing Board of the ESC are also members of the Governing Board of the Mahoning County Career and Technical Center, which includes 2 other members. The Governing Board of the ESC cannot directly impose their will on the Mahoning County Career and Technical Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials
The ESC participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the ESC pays an enrollment fee to the GRP to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium
The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of 13 public school districts. The consortium is governed by an assembly, which consists of 1 representative from each participating school district (usually the superintendent or designee). The assembly elects officers for 1 year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

B. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the ESC's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Other governmental funds of the ESC are used to account for a) the accumulation of resources to be used for the future capital needs of the ESC, and b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector. The ESC has no proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The ESC's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency funds account for various resources held for other organizations.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the ESC are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 ESC, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the ESC receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the ESC 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 fiscal year-end: tuition, grants, interest and contract services.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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. See Note 12 and Note 13 for deferred outflows of resources related the ESC’s net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the ESC, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the ESC unavailable revenue includes, but is not limited to, tuition, services provided to other entities and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 12 and Note 13 for deferred inflows of resources related to the ESC’s net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board approve appropriations and estimated resources. The ESC's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the general fund has been presented as supplementary information to the basic financial statements.

F. State Funding

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: $6.50 times the Average Daily Membership (ADM-the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the participating school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, $37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

If additional funding is required and if a majority of the Boards of Education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of $43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating Boards approve or disapprove the apportionment.

G. Cash and Investments

To improve cash management, cash received by the ESC is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2019, investments were limited to federal agency securities, negotiable CDs, money market mutual funds, a sweep account, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

STAR is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2019 was $82,740, which includes $2,539 assigned from other ESC funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the ESC’s investment account at year end is provided in Note 4.

H. Prepayments

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 purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. Inventory consists of expendable supplies held for consumption.

On the fund financial statements, reported supplies inventory is equally offset by nonspendable fund balance which indicates that it does not constitute available spendable resources, even though it is a component of net current assets.

J. Capital Assets

General capital assets are those assets specifically related to governmental activities. These 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 values as of the date received. The ESC maintains a capitalization threshold of $1,000. The ESC does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Description	Governmental Activities Estimated Lives
Land improvements	5 years
Leasehold improvements	7 years
Furniture and equipment	5 - 15 years
Vehicles	10 - 11 years

K. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies the method used to accrue liabilities for leave benefits. 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 ESC will compensate the employees for the benefits through paid time off or some other means. The ESC records a liability for accumulated unused vacation time when earned for all certified and classified 260 day employees.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the ESC's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid.

L. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds". These amounts are eliminated in the governmental type activities columns of the statement of net position.

M. Pass-Through Grants

The ESC is the primary recipient of grants, which are passed-through to or spent on behalf of the local school districts within the County. When the ESC has a financial or administrative role in the grants, the grants are reported as revenues and expenditures in a nonmajor governmental fund. Grants in which the ESC has no financial or administrative role and are passed-through to the local school districts in the County are reported in an agency fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the ESC’s Governing Board (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the ESC for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the ESC’s Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes. An assigned amount in the general fund is also reported if a portion of existing fund balance is included as a budgetary resource when the appropriation measure is adopted for the subsequent year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The ESC applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the ESC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for education foundation.

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

Q. Estimates

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

R. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund activities between governmental funds are eliminated in the statement of activities.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related 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.

U. Fair Value

The ESC 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the ESC has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses 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. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the ESC.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic 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 implementation of GASB Statement No. 88 did not have an effect on the financial statements of the ESC.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

	Deficit
General fund	$ 476,396
Nonmajor funds	
Early childhood education	61,031
IDEA Part B	4,892
IDEA preschool grant for the handicapped	17,820

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

The deficit fund balances resulted from adjustments for accrued liabilities and/or the advance spending of approved grant monies.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the ESC into three categories.

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

Protection of the ESC'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 (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the ESC and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all ESC deposits was a deficit of $749,400, exclusive of the $829,330 sweep account included in investments below. The bank balance of all ESC deposits was $99,835, all of which is covered by the FDIC.

B. Investments

As of June 30, 2019, the ESC had the following investments and maturities:

		Investment Maturities				
Measurement/ Investment type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
FHLMC	$ 174,918	$ -	$ -	$ 174,918	$ -	$ -
Negotiable CDs	1,527,939	49,953	580,398	399,087	219,531	278,970
Money Market Mutual Funds	35,017	35,017	-	-	-	-
Sweep Account	829,330	829,330	-	-	-	-
Amortized Cost:						
STAR Ohio	463,774	463,774	-	-	-	-
Total	$ 3,030,978	$ 1,378,074	$ 580,398	$ 574,005	$ 219,531	$ 278,970

The weighted average maturity of investments is 0.76 years.

The District's investments measured at fair value are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the ESC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The ESC's investments in federal agency securities (FHLMC) were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the ESC's name. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2019:

Measurement/Investment type	Measurement Value	% of Total
Fair Value:		
FHLMC	$ 174,918	5.77
Negotiable CDs	1,527,939	50.41
Money Market Mutual Funds	35,017	1.16
Sweep Account	829,330	27.36
Amortized Cost:		
STAR Ohio	463,774	15.30
Total	$ 3,030,978	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

Cash and investments per note	
Carrying amount of deposits	$ (749,400)
Investments	3,030,978
Total	$ 2,281,578
Cash and investments per statement of net position	
Governmental activities	$ 3,253,480
Agency funds	28,098
Total	$ 3,281,578

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2019 as reported on the fund statements, consist of the following "loans to/from other funds":

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	$ 2,614
General fund	Agency funds	271,519

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received, which is expected to be within one year for all loans except for $2,614. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2019 are reported on the statement of net position.

B. Interfund balances at June 30, 2019 as reported on the fund statements, consist of the following "due to/from other funds":

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	$ 191,345

The primary purpose of the interfund balances is to cover negative cash balances at year-end. These interfund balances will be repaid once the anticipated revenues are received, which is expected to be within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2019 are reported on the statement of net position.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2019 consisted of accounts (fees and other charges for services), intergovernmental grants and fees charged to other governmental entities, accrued interest and loans. All receivables are considered collectible in full. Receivables have been disaggregated on the face of the basic financial statements. All receivables except $2,614 in loans receivable are expected to be collected within one year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 06/30/18	Additions	Disposals	Balance 06/30/19
Governmental activities:				
Capital assets, being depreciated:				
Land improvements	$ 2,482	$ -	$ -	$ 2,482
Leasehold improvements	578,260	-	-	578,260
Furniture and equipment	1,733,237	-	(11,582)	1,721,655
Vehicles	80,944	-	-	80,944
Total capital assets, being depreciated	2,394,923	-	(11,582)	2,383,341
Less: accumulated depreciation:				
Land improvements	(2,482)	-	-	(2,482)
Leasehold improvements	(122,574)	(83,277)	-	(205,851)
Furniture and equipment	(1,500,290)	(29,672)	11,254	(1,518,708)
Vehicles	(71,532)	(1,255)	-	(72,787)
Total accumulated depreciation	(1,696,878)	(114,204)	11,254	(1,799,828)
Governmental activities capital assets, net	$ 698,045	$ (114,204)	$ (328)	$ 583,513

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 3,448
Special	1,178
Support services:	
Pupil	358
Instructional staff	2,260
Administration	592
Fiscal	218
Business	103,156
Operations and maintenance	945
Central	218
Operation of non-instructional services	1,831
Total depreciation expense	$ 114,204

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The ESC has entered into lease agreements for the acquisition of copiers. The leases qualify as a capital lease for accounting purposes and, therefore, a liability has been recorded at the present value of the future minimum lease payments at inception. Capital assets consisting of equipment have been capitalized in the amount of $200,744. Accumulated depreciation at June 30, 2019 was $61,032 leaving a current book value of $139,712.

NOTE 9 - LONG-TERM OBLIGATIONS

Principal and interest payments are made from the general fund and totaled $31,140 and $5,400, respectively, for fiscal year 2019. The following is a schedule of the future long-term minimum lease payments required under the lease agreement and the present value of the minimum lease payments as of June 30, 2019.

Fiscal Year Ending June 30,	Amount
2020	$ 36,540
2021	36,540
2022	12,181
Total	85,261
Less: amount representing interest	(5,490)
Present value of minimum lease payments	$ 79,771

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 2019, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/18	Additions	Reductions	Balance Outstanding 06/30/19	Amounts Due in One Year
Capital lease obligations	$ 110,911	$ -	$ (31,140)	$ 79,771	$ 32,923
Compensated absences	712,011	100,067	(246,894)	565,184	115,921
Net pension liability	32,645,387	259,758	(197,688)	32,707,457	-
Net OPEB liability	6,504,391	253,988	(4,601,184)	2,157,195	-
Total	$ 39,972,700	$ 613,813	$ (5,076,906)	$ 35,509,607	$ 148,844

Compensated absences, net pension liability, and net OPEB liability will be paid from the fund from which the employee's salaries are paid which is primarily the general fund. The capital lease is paid from the general fund; see Note 8 for more detail. See Note 12 and Note 13 for detail on the net pension liability and net OPEB liability, respectively.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from the negotiated agreement and State laws. Certified and classified 260 day employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to certified and classified employees upon termination of employment. Teachers and certificated personnel employed for less than 260 days do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 53 days.

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

The ESC provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company/OneAmerica Company, in the amount of $25,000.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the ESC contracted with the School Insurance Consultants for property and general liability insurance.

Professional liability is provided by the Wells Fargo Insurance Services USA, Inc. with a $3,000,000 annual aggregate/$1,000,000 single occurrence limit and $1,000 deductible. Vehicles are covered by the Wells Fargo Insurance Services USA, Inc. and hold a $500 deductible for comprehensive and collision. Automobile liability has a $1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2019, the ESC participated in the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual performance rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Participation in the GRP is limited to members that can meet the GRP's selection criteria. The Benefits 1 Group provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

The ESC has contracted with the Mahoning County School Employees Insurance Consortium to provide employee medical/surgical, dental and prescription drug benefits. Monthly premiums are as follows:

	Single Coverage		Family Coverage	
	Employee Share	Board Share	Employee Share	Board Share
Life	$ -	$ 2.50	$ 1.60	$ 2.50
Dental	3.44	30.92	8.28	74.50
Medical	49.53	445.76	277.36	1,109.43
Prescription	47.10	109.91	197.83	241.80
Vision	4.58	-	13.75	-

	Employee Spouse Coverage		Employee Children Coverage	
	Employee Share	Board Share	Employee Share	Board Share
Life	N/A	N/A	N/A	N/A
Dental	6.46	58.12	5.77	51.93
Medical	208.02	832.06	168.40	673.59
Prescription	148.37	181.35	120.11	146.81
Vision	9.17	-	8.25	-

Life Insurance - $25,000
$2,500 for Children, $5,000 for Spouse

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the ESC is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The ESC's contractually required contribution to SERS was $359,347 for fiscal year 2019. Of this amount, $10,266 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The ESC was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The ESC's contractually required contribution to STRS was $1,803,509 for fiscal year 2019. Of this amount, $242,941 is reported as pension and postemployment benefits payable.

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 ESC's proportion of the net pension liability was based on the ESC's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.07750780%	0.11792976%	
Proportion of the net pension liability current measurement date	0.08539410%	0.12651032%	
Change in proportionate share	0.00788630%	0.00858056%	
Proportionate share of the net pension liability	$ 4,890,678	$ 27,816,779	$ 32,707,457
Pension expense	$ (855,239)	$ 3,303,557	$ 2,448,318

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 268,222	$ 642,096	$ 910,318
Changes of assumptions	110,442	4,929,658	5,040,100
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	258,558	2,288,902	2,547,460
Contributions subsequent to the measurement date	359,347	1,803,509	2,162,856
Total deferred outflows of resources	$ 996,569	$ 9,664,165	$ 10,660,734

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 181,661	$ 181,661
Net difference between projected and actual earnings on pension plan investments	135,506	1,686,779	1,822,285
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	2,187,339	154,827	2,342,166
Total deferred inflows of resources	$ 2,322,845	$ 2,023,267	$ 4,346,112

$2,162,856 reported as deferred outflows of resources related to pension resulting from ESC 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (758,286)	$ 3,017,496	$ 2,259,210
2021	(725,282)	2,387,709	1,662,427
2022	(160,496)	477,711	317,215
2023	(41,559)	(45,527)	(87,086)
Total	$ (1,685,623)	$ 5,837,389	$ 4,151,766

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the 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.

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 using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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 ESC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
ESC's proportionate share of the net pension liability	$ 6,888,889	$ 4,890,678	$ 3,215,312

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:

	July 1, 2018
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
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

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 Real 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 geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the ESC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the ESC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the ESC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
ESC's proportionate share of the net pension liability	$ 40,622,744	$ 27,816,779	$ 16,978,267

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions–between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the ESC's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net 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.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The ESC 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 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the ESC's surcharge obligation was $2,814.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The ESC's contractually required contribution to SERS was $16,123 for fiscal year 2019. Of this amount, $3,194 is reported as pension and postemployment benefits payable.

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 or by calling (888) 227-7877.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% 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, 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/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The ESC's proportion of the net OPEB liability/asset was based on the ESC'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 and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.07091630%	0.11792976%	
Proportion of the net OPEB liability/asset current measurement date	0.07775720%	0.12651032%	
Change in proportionate share	0.00684090%	0.00858056%	
Proportionate share of the net OPEB liability	$ 2,157,195	$ -	$ 2,157,195
Proportionate share of the net OPEB asset	$ -	$ 2,032,892	$ 2,032,892
OPEB expense	$ (480,848)	$ (4,358,031)	$ (4,838,879)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 35,213	$ 237,446	$ 272,659
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	118,164	307,274	425,438
Contributions subsequent to the measurement date	16,123	-	16,123
Total deferred outflows of resources	$ 169,500	$ 544,720	$ 714,220

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 118,443	$ 118,443
Net difference between projected and actual earnings on pension plan investments	3,235	232,240	235,475
Changes of assumptions	193,807	2,769,977	2,963,784
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	1,072,154	-	1,072,154
Total deferred inflows of resources	$ 1,269,196	$ 3,120,660	$ 4,389,856

$16,123 reported as deferred outflows of resources related to OPEB resulting from ESC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (663,832)	$ (464,926)	$ (1,128,758)
2021	(501,255)	(464,926)	(966,181)
2022	13,569	(464,924)	(451,355)
2023	14,945	(412,182)	(397,237)
2024	14,722	(393,683)	(378,961)
Thereafter	6,032	(375,299)	(369,267)
Total	$ (1,115,819)	$ (2,575,940)	$ (3,691,759)

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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments 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% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% 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%, 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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, 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. A municipal bond rate of 3.56% was used as of June 30, 2017. 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 ESC's 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%) and higher (4.70%) than the current discount rate (3.70%). 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% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
ESC's proportionate share of the net OPEB liability	$ 2,617,586	$ 2,157,195	$ 1,792,651

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	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 %)
ESC's proportionate share of the net OPEB liability	$ 1,740,460	$ 2,157,195	$ 2,709,026

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, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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.

Assumption Changes Since the Prior Measurement Date - 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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% 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.

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 Real 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 geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the ESC's 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%, 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%) or one percentage point higher (8.45%) 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%)
ESC's proportionate share of the net OPEB asset	$ 1,742,379	$ 2,032,892	$ 2,277,054

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 2,263,271	$ 2,032,892	$ 1,798,924

NOTE 14 - CONTINGENCIES

A. Grants

The ESC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

The ESC is not currently party to any legal proceedings that will have a material, if any, effect on the financial statements.

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the ESC.

NOTE 15 - COMMITMENTS

The ESC utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the ESC’s commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General	$ 67,370
Nonmajor governmental	186,594
Total	$ 253,964

NOTE 16 - OPERATING LEASE

The ESC has entered into a lease to rent a building from the Mahoning County Career and Technical Center. The initial lease term is seven years, from July 1, 2017 through June 30, 2023. The ESC shall pay for all utilities, insurance and maintenance expenses during the lease. Rent payments are payable in equal semi-annual installments beginning on December 31, 2017, with installment payments occurring on December 1 and June 1 each year thereafter. These payments are made from the general fund and amounted to $569,528 in fiscal year 2019. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2020	$ 569,728
2021	569,828
2022	569,828
2023	569,303
Total	$ 2,278,687

SUPPLEMENTARY INFORMATION

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Tuition	$ 18,082,159	$ 16,333,358	$ 16,336,841	$ 3,483
Earnings on investments	29,505	52,261	52,556	295
Charges for services.	906	1,326	1,326	-
Rental income.	61,816	48,971	52,223	3,252
Contributions and donations	9,502	6,595	6,595	-
Customer services.	11,818,666	4,455,904	4,592,390	136,486
Other local revenues	156,464	288,530	288,455	(75)
Intergovernmental - state.	1,479,442	1,341,910	1,263,945	(77,965)
Intergovernmental - federal.	183,409	31,568	31,568	-
Total revenues	31,821,869	22,560,423	22,625,899	65,476
Expenditures:				
Current:				
Instruction:				
Regular	9,304,575	2,995,338	2,098,320	897,018
Special.	7,163,439	7,163,440	7,565,216	(401,776)
Vocational.	80,113	80,113	75,321	4,792
Adult/continuing	20,311	20,311	6,197	14,114
Other.	242,253	242,253	89,663	152,590
Support services:				
Pupil.	6,898,373	6,980,544	7,607,154	(626,610)
Instructional staff	3,866,356	3,866,356	3,696,417	169,939
Board of education	34,702	34,702	31,004	3,698
Administration.	782,999	761,833	661,030	100,803
Fiscal	650,656	714,171	711,316	2,855
Business	675,720	675,720	707,715	(31,995)
Operations and maintenance.	827,436	754,254	536,103	218,151
Pupil transportation	57,945	32,099	2,108	29,991
Central.	333,917	433,917	281,935	151,982
Operation of non-instructional services	673,820	530,638	520,579	10,059
Total expenditures	31,612,615	25,285,689	24,590,078	695,611
Excess (deficiency) of revenues over (under) expenditures	209,254	(2,725,266)	(1,964,179)	761,087
Other financing sources (uses):				
Refund of prior year expenditure.	143,812	90,591	90,591	-
Refund of prior year receipt.	(94,919)	(94,919)	(17,976)	76,943
Sale/loss of assets.	2,114	-	-	-
Total other financing sources (uses)	51,007	(4,328)	72,615	76,943
Net change in fund balance	260,261	(2,729,594)	(1,891,564)	838,030
Fund balance at beginning of year.	3,149,581	3,149,581	3,149,581	-
Prior year encumbrances appropriated	686,446	686,446	686,446	-
Fund balance at end of year	$ 4,096,288	$ 1,106,433	$ 1,944,463	$ 838,030

SEE ACCOMPANYING NOTES TO THE BUDGETARY COMPARISON SCHEDULES

NOTE 1 - BUDGETARY PROCESS

The ESC is not required under State statute to file budgetary information with the State Department of Education. However, the ESC Board does follow the budgetary process for control purposes.

The ESC's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned, committed or restricted fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

Net Change in Fund Balance

	General fund
Budget basis	$ (1,891,564)
Net adjustment for revenue accruals	450,799
Net adjustment for expenditure accruals	461,451
Net adjustment for other sources/uses	(72,615)
Funds budgeted elsewhere	(62)
Adjustment for encumbrances	82,978
GAAP basis	$ (969,013)

Certain funds that are budgeted in separate funds are considered part of the general fund on a GAAP basis. This includes the rotary fund and the special trust fund.

REQUIRED SUPPLEMENTARY INFORMATION

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
ESC's proportion of the net pension liability	0.08539410%	0.07750780%	0.14777739%	0.16030420%
ESC's proportionate share of the net pension liability	$ 4,890,678	$ 4,630,920	$ 10,815,942	$ 9,147,113
ESC's covered payroll	$ 2,743,119	$ 2,523,157	$ 4,616,327	$ 4,825,994
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	178.29%	183.54%	234.30%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014
0.16405900%	0.16405900%
$ 8,302,933	$ 9,756,062
$ 4,767,237	$ 2,949,913
174.17%	330.72%
71.70%	65.52%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
ESC's proportion of the net pension liability	0.12651032%	0.11792976%	0.11788892%	0.10898240%
ESC's proportionate share of the net pension liability	$ 27,816,779	$ 28,014,467	$ 39,460,976	$ 30,119,548
ESC's covered payroll	$ 14,615,386	$ 12,950,043	$ 12,711,636	$ 11,418,079
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	190.33%	216.33%	310.43%	263.79%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014
0.11166218%	0.11166218%
$ 27,160,107	$ 32,352,941
$ 11,408,792	$ 11,131,354
238.06%	290.65%
74.70%	69.30%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ESC PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 359,347	$ 370,321	$ 353,242	$ 646,286
Contributions in relation to the contractually required contribution	(359,347)	(370,321)	(353,242)	(646,286)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 2,661,830	$ 2,743,119	$ 2,523,155	$ 4,616,329
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	636,066	$	660,739	$	408,268	$	430,788	$	418,104	$	429,330
	(636,066)		(660,739)		(408,268)		(430,788)		(418,104)		(429,330)
$	-	$	-	$	-	$	-	$	-	$	-
$	4,825,994	$	4,767,237	$	2,949,913	$	3,202,885	$	3,326,205	$	3,170,827
	13.18%		13.86%		13.84%		13.45%		12.57%		13.54%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ESC PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 1,803,509	$ 2,046,154	$ 1,813,006	$ 1,779,629
Contributions in relation to the contractually required contribution	(1,803,509)	(2,046,154)	(1,813,006)	(1,779,629)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 12,882,207	$ 14,615,386	$ 12,950,043	$ 12,711,636
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 1,598,531	$ 1,483,143	$ 1,447,076	$ 1,383,066	$ 1,419,562	$ 1,367,991
(1,598,531)	(1,483,143)	(1,447,076)	(1,383,066)	(1,419,562)	(1,367,991)
$ -	$ -	$ -	$ -	$ -	$ -
$ 11,418,079	$ 11,408,792	$ 11,131,354	$ 10,638,969	$ 10,919,708	$ 10,523,008
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
ESC's proportion of the net OPEB liability	0.07775720%	0.07091630%	0.15372379%
ESC's proportionate share of the net OPEB liability	$ 2,157,195	$ 1,903,207	$ 4,268,649
ESC's covered payroll	$ 2,743,119	$ 2,523,157	$ 4,616,327
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	78.64%	75.43%	92.47%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	2019	2018	2017
ESC's proportion of the net OPEB liability/asset	0.12651032%	0.11792976%	0.11788892%
ESC's proportionate share of the net OPEB liability/(asset)	$ (2,032,892)	$ 4,601,184	$ 6,304,811
ESC's covered payroll	$ 14,615,386	$ 12,950,043	$ 12,711,636
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.91%	35.53%	49.60%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ESC OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 16,123	$ 16,308	$ 2,793	$ 77,806
Contributions in relation to the contractually required contribution	(16,123)	(16,308)	(2,793)	(77,806)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 2,661,830	$ 2,743,119	$ 2,523,155	$ 4,616,329
Contributions as a percentage of covered payroll	0.61%	0.59%	0.11%	1.69%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 121,180	$ 91,890	$ 86,501	$ 100,756	$ 130,857	$ 101,603
(121,180)	(91,890)	(86,501)	(100,756)	(130,857)	(101,603)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,825,994	$ 4,767,237	$ 2,949,913	$ 3,202,885	$ 3,326,205	$ 3,170,827
2.51%	1.93%	2.93%	3.15%	3.93%	3.20%

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ESC OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 12,882,207	$ 14,615,386	$ 12,950,043	$ 12,711,636
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ -	$ 115,111	$ 111,314	$ 106,390	$ 109,197	$ 105,230
-	(115,111)	(111,314)	(106,390)	(109,197)	(105,230)
$ -	$ -	$ -	$ -	$ -	$ -
$ 11,418,079	$ 11,408,792	$ 11,131,354	$ 10,638,969	$ 10,919,708	$ 10,523,008
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) 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, (f) 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, (g) 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 (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) 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 (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) 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, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
(Prepared by Management)

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster		
National School Lunch Program	10.555	$ 29,085
Total Child Nutrition Cluster		29,085
Total U.S. Department of Agriculture		**29,085**
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Special Education Cluster		
Special Education Grants to States - IDEA Part B	84.027	1,724,154
Preschool Grants	84.173	229,027
Total Special Education Cluster		1,953,181
State Professional Development	84.323	1,047,250
English Language Acquisition Grants	84.365	9,871
Striving Readers Literacy Grant	84.371	369,111
Title I Grants to Local Educational Agencies	84.010	82,759
Total Passed Through Ohio Department of Education		**3,462,172**
Passed Through Ohio Rehabililitation Services Commission		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	462,119
Total Passed Through Ohio Rehabilitation Services Commission		**462,119**
Total U.S. Department of Education		**3,924,291**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through Ohio Department of Health		
ACA-Maternal, Infant and Early Childhood Home Visitation Program	93.505	501,238
Total Passed Through Ohio Department of Health		**501,238**
Total U.S. Department of Health and Human Services		**501,238**
Total Expenditures of Federal Awards		**$ 4,454,614**

The accompanying notes are an integral part of this schedule.

Mahoning County Educational Service Center
Mahoning County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2019
(Prepared by Management)

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Mahoning County Educational Service Center, Mahoning County, (the ESC) 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 ESC, it is not intended to and does not present the financial position or changes in net position of the ESC.

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 ESC has an approved Indirect Cost Plan with the Ohio Department of Education for the year ended June 30, 2019. The Restricted Indirect Cost Rate was 4.42% and the Unrestricted Indirect Cost Rate was 7.86%.

NOTE D - CHILD NUTRITION CLUSTER

The ESC commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the ESC assumes it expends federal monies first.

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Cleveland OH 44113-1306

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Certified Public Accountants

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

Mahoning County Educational Service Center
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mahoning County Educational Service Center, Mahoning County, Ohio (the ESC) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
December 26, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mahoning County Educational Service Center
Mahoning County
7320 North Palmyra Road
Canfield, Ohio 44406

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited the Mahoning County Educational Service Center, Mahoning County, Ohio's (the ESC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the ESC's major federal program for the year ended June 30, 2019. The ESC's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the ESC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ESC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in finding 2019-001 in the accompanying Schedule of Findings, the ESC did not comply with requirements regarding equipment and real property management for CFDA #84.027.

Compliance with this requirement is necessary, in our opinion, for the ESC to comply with the requirements applicable to this program.

Qualified Opinion on the Major Federal Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph, the Mahoning County Educational Service Center, Mahoning County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

The ESC's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The ESC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings as item 2019-001, that we consider to be a material weakness.

The ESC's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The ESC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
December 26, 2019

Mahoning County Educational Service Center
Mahoning County
Schedule of Findings
2 CFR § 200.515
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified except Equipment and Real Property Management was Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster – CFDA #84.027 & #84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2019-001
CFDA Title and Number	Special Education Cluster (IDEA), CFDA #84.027 & 84.173
Federal Award Number/Year	2019
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Equipment and Real Property Management

2 CFR Section 200.313(d)(1) states “property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property”.

2 CFR Section 200.313(d)(2) states “a physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years”.

2 CFR Section 200.313(d)(3) states “a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated”.

The ESC did not perform a physical inventory within the required 2-year period. Additionally, testing of the listing of capital assets purchased with federal funds revealed items that were approved for disposal by the Board in a previous year but not removed from the listing. Testing also revealed items that could not be located that had not been approved for disposal by the Board. The ESC may have other grants to which these requirements apply.

We recommend that the ESC implement procedures to ensure that all capital assets purchased with federal funding are adequately tagged and tracked, including performing a physical inventory of all federally funded capital assets at least biannually, properly updating the listing for changes when items are no longer in use, and investigating any discrepancies noted.

Management’s Response:

See the Corrective Action Plan on page 87 for management’s response.

Mahoning County Educational Service Center
Mahoning County
Corrective Action Plan
(Prepared by Management)
June 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	2 CFR Section 200.313(d)(1) procedures have been added to the MCESC fiscal office to ensure Board approved disposal of equipment and capital assets are removed from the accounting system for fixed assets in a timely manner. Additionally, instructions for those employees (directors, administrators) responsible for the disposal of equipment/fixed assets have been developed that require the importance of obtaining Board approval for disposal prior to actual disposal occurring. 2 CFR Section 200.313(d)(2) to achieve compliance the MCESC will perform a physical inventory of equipment as soon as possible and reconcile the inventory with our accounting system fixed asset/equipment records. This physical inventory will occur bi-annually moving forward. 2 CFR Section 200.313(d)(3) the physical inventory that will be completed bi-annually will be an integral part of our control system to help prevent loss, damage, or theft of property.	Immediately	Ryan D Jones, Treasurer

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OHIO AUDITOR OF STATE
KEITH FABER

MAHONING COUNTY EDUCATIONAL SERVICE CENTER

MAHONING 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
FEBRUARY, 6 2020