NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY
JUNE 30, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

North Central Ohio Educational Service Center
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Ohio Educational Service Center, Seneca 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Ohio Educational Service Center, Seneca 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.

Emphasis of Matters

As discussed in Note 17 to the financial statements, the ESC has suffered recurring losses from operations and has a net deficiency of $1,243,892 in the General fund. Note 17 also describes management's evaluation of the events and conditions and their plan to mitigate these matters. Our opinion is unmodified regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General fund and Miscellaneous State Grants fund present additional analysis and are not a required part of the basic financial statements.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ESC's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 17, 2020

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NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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

The management's discussion and analysis of the North Central Ohio 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 $3,079,936 which represents a 9.94% increase from 2018's net position.

- General revenues accounted for $1,136,310 in revenue or 5.88% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for $18,192,539 or 94.12% of total revenues of $19,328,849.

- The ESC had $16,248,913 expenses related to governmental activities; these expenses were offset by program specific charges for services, grants or contributions of $18,192,539. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,136,310 were also available for these programs.

- The ESC's two major governmental funds are the General fund and the Miscellaneous State Grants fund. The General fund had $17,284,602 in revenues and $17,620,909 in expenditures and other financing uses. During fiscal year 2019, the General fund's fund balance decreased $336,307 from a deficit balance of $907,585 to a deficit balance of $1,243,892.

- The Miscellaneous State Grants fund had $285,029 in revenues and $272,263 in expenditures. During fiscal year 2019, the Miscellaneous State Grants fund's fund balance increased $12,766 from a deficit fund balance of $6,244 to a balance of $6,522.

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 *statement of net position* and *statement 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 and the Miscellaneous State Grants fund are by far the most significant funds, and the only two governmental funds reported as major funds.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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, extracurricular activities, and food service operations.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

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 major governmental funds are the General fund and the Miscellaneous State Grants 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 is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The ESC also 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 separate statements of fiduciary net position and changes in fiduciary net position. 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.

Supplementary Information

The ESC has presented budgetary comparison schedules for the General fund and Miscellaneous State Grants fund as supplementary information.

The ESC as a Whole

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 assets	$ 3,107,986	$ 2,252,000
Capital assets, net	3,550,778	3,656,408
Total assets	6,658,764	5,908,408
Deferred Outflows of Resources		
Pension	6,616,710	7,721,724
OPEB	498,879	410,827
Total deferred outflows of resources	7,115,589	8,132,551
Liabilities		
Current liabilities	2,332,808	2,452,117
Long-term liabilities:		
Due within one year	364,738	330,675
Due in more than one year:		
Net pension liability	24,284,792	25,182,227
Net OPEB liability	3,926,483	6,529,053
Other amounts	3,805,461	3,890,161
Total liabilities	34,714,282	38,384,233
Deferred Inflows of Resources		
Pension	4,270,542	5,323,514
OPEB	2,687,112	1,310,731
Total deferred inflows of resources	6,957,654	6,634,245
Net Position		
Net investment in capital assets	832,440	772,020
Restricted	497,080	547,990
Unrestricted (deficit)	(29,227,103)	(32,297,529)
Total net position (deficit)	$ (27,897,583)	$ (30,977,519)

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 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/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

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 OPEB liability*. 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.

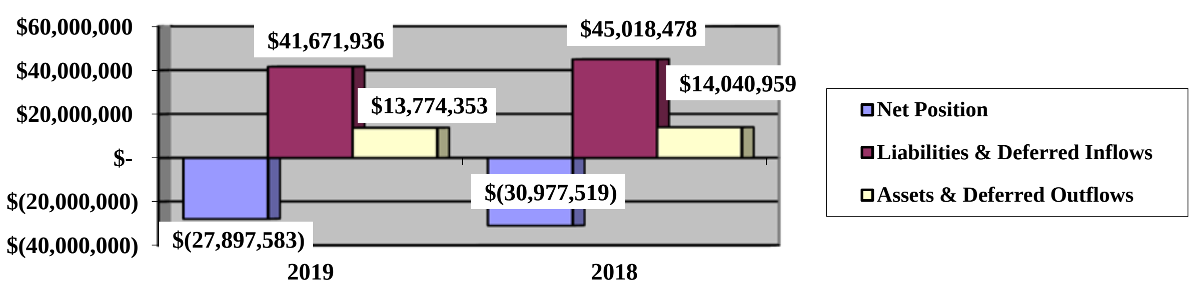
Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes 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 exceeded assets and deferred outflows by $27,897,583. Of this total, $497,080 is restricted in use leaving the ESC with unrestricted net position with a deficit of $29,227,103.

The graph below illustrates the ESC's governmental activities assets, liabilities, and net position at June 30, 2019 and June 30, 2018.

Governmental Activities



The table below 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	$ 16,258,506	$ 16,971,778
Operating grants and contributions	1,934,033	1,953,230
General revenues:		
Grants and entitlements, unrestricted	881,952	869,635
Investment earnings	19,578	14,335
Other	234,780	204,519
Total revenues	19,328,849	20,013,497

(Continued)

Change in Net Position (Continued)

	Governmental Activities 2019	Governmental Activities 2018
Expenses		
Program expenses:		
Instruction:		
Regular	$ 1,588,354	$ 830,599
Special	3,442,403	1,706,948
Vocational	-	144,412
Other	283,304	122,064
Support services:		
Pupil	3,080,247	1,641,056
Instructional staff	2,962,707	1,641,178
Board of education	95,764	111,711
Administration	1,984,180	892,803
Fiscal	738,191	466,971
Business	138,191	104,416
Operations and maintenance	464,372	372,565
Pupil transportation	105,111	42,890
Central	1,031,937	766,671
Operations of non-instructional services:		
Other non-instructional services	222,085	62,671
Food service operations	13,620	10,953
Extracurricular activities	18,846	1,542
Intergovernmental pass-through	-	63,190
Interest and fiscal charges	79,601	91,934
Total expenses	16,248,913	9,074,574
Change in net position	3,079,936	10,938,923
Net position (deficit) at beginning of year	(30,977,519)	(41,916,442)
Net position (deficit) at end of year	$ (27,897,583)	$ (30,977,519)

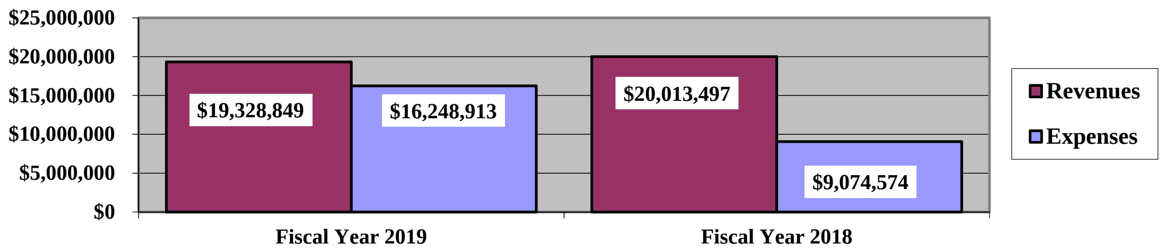
Expenses of the governmental activities increased $7,174,339 or 79.06%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (COLA) and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. The expenses of the governmental activities are comparable to fiscal year 2017 expenses before the STRS and SERS COLA adjustments.

Governmental Activities

Net position of the ESC's governmental activities increased $3,079,936. Total governmental expenses of $16,248,913 were adequately offset by program revenues of $18,192,539 and general revenues of $1,136,310. Program revenues supported 111.96% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from contract services and charges for services. These revenue sources represent 84.12% of total governmental revenue.

The graph below presents the ESC's governmental activities revenues and expenses for fiscal year 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 unrestricted State grants and entitlements, and other general revenues not restricted to a specific program.

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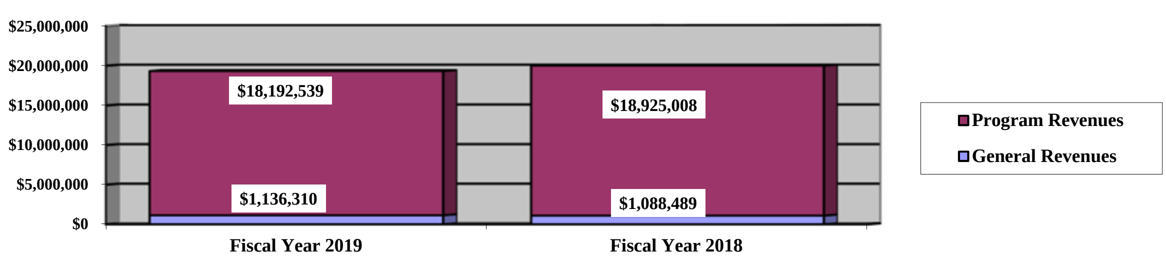
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	$ 1,588,354	$ (352,139)	$ 830,599	$ (1,178,448)
Special	3,442,403	(714,319)	1,706,948	(2,700,613)
Vocational	-	-	144,412	144,412
Other	283,304	283,304	122,064	122,064
Support services:				
Pupil	3,080,247	(603,212)	1,641,056	(2,561,409)
Instructional staff	2,962,707	(542,042)	1,641,178	(1,861,434)
Board of education	95,764	95,764	111,711	111,711
Administration	1,984,180	(380,759)	892,803	(1,138,081)
Fiscal	738,191	(134,595)	466,971	(409,729)
Business	138,191	138,191	104,416	104,416
Operations and maintenance	464,372	(44,205)	372,565	(130,276)
Pupil transportation	105,111	105,111	42,890	42,890
Central	1,031,937	(110,045)	766,671	(545,023)
Operations of non-instructional services:				
Other non-instructional services	222,085	219,903	62,671	61,054
Food service operations	13,620	(1,270)	10,953	10,953
Extracurricular activities	18,846	17,086	1,542	(14,855)
Intergovernmental pass-through	-	-	63,190	-
Interest and fiscal charges	79,601	79,601	91,934	91,934
Total expenses	$ 16,248,913	$ (1,943,626)	$ 9,074,574	$ (9,850,434)

For all governmental activities, program revenue support is 111.96%. The primary support for the ESC is contracted fees for services provided to other districts.

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

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance deficit of $1,186,277, which reflects a larger deficit than the $871,562 in fiscal year 2018. 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 (deficit) June 30, 2018	Change	Percentage Change
General	$ (1,243,892)	$ (907,585)	$ (336,307)	(37.06) %
Miscellaneous State Grants	6,522	(6,244)	12,766	204.45 %
Other Governmental	51,093	42,267	8,826	20.88 %
Total	$ (1,186,277)	$ (871,562)	$ (314,715)	(36.11) %

General Fund

The ESC's General fund balance decreased by $336,307.

The table that follows assists in illustrating the financial activities and fund balance of the General fund.

	2019 Amount	2018 Amount	Change	Percentage Change
Revenues				
Tuition	$ 11,168,663	$11,743,514	$ (574,851)	(4.90) %
Earnings on investments	19,578	14,335	5,243	36.57 %
Contributions and donations	26,121	10,630	15,491	145.73 %
Contract services	4,380,392	4,617,942	(237,550)	(5.14) %
Other revenues	807,896	767,285	40,611	5.29 %
Intergovernmental	881,952	869,635	12,317	1.42 %
Total	$ 17,284,602	$18,023,341	$ (738,739)	(4.10) %
Expenditures				
Instruction	$ 6,081,172	$ 6,471,674	$ (390,502)	(6.03) %
Support services	10,980,140	10,804,493	175,647	1.63 %
Non-instructional services	270,015	163,299	106,716	65.35 %
Extracurricular activities	22,055	-	22,055	100.00 %
Debt service	11,381	29,627	(18,246)	(61.59) %
Total	$ 17,364,763	$17,469,093	$ (104,330)	(0.60) %

Overall revenues of the General fund decreased $738,739 or 4.10%. This decrease was primarily due to a decrease of $574,851 or 4.90% in tuition from a decrease in contracts paid by schools through foundation. Overall expenditures of the General fund decreased $104,330 or 0.60%. All other revenue and expenditures remained comparable to the prior fiscal year.

Miscellaneous State Grants Fund

The Miscellaneous State Grants fund had $285,029 in revenues and $272,263 in expenditures. During fiscal year 2019, the Miscellaneous State Grants' fund balance increased $12,766 from a deficit balance of $6,244 to a balance of $6,522. The increase in fund balance was the result of a receivable due from Seneca County and Tiffin City School District for the repayment of the Local Government Initiative Fund (LGIF) loans.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the ESC had $3,550,778 invested in land, buildings and improvements, furniture and equipment and software. 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	Governmental Activities 2018
Land	$ 148,850	$ 148,850
Building and improvements	3,152,232	3,227,389
Furniture and equipment	249,696	280,169
Total	$ 3,550,778	$ 3,656,408

The overall decrease in capital assets of $105,630 is due to depreciation expense of $157,928 exceeding capital outlays of $52,298.

See Note 7 to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2019, the ESC had a $3,295,821 in promissory notes and loans outstanding. Of this amount, $249,873 is due in one year with the remaining amount of $3,045,948 due within more than one year. The following table summarizes the outstanding debt at fiscal year end.

Outstanding Debt, at Year End

	Governmental Activities 2019	Governmental Activities 2018
Promissory note	$ 2,555,000	$ 2,710,000
Capital lease	-	11,050
IT Loan	265,821	265,821
LGIF loan payable	475,000	500,000
Total	$ 3,295,821	$ 3,486,871

See Note 9 to the basic financial statements for further detail on the ESC's debt administration.

Current Financial Related Activities

Fiscal year 2019 continued to be a time in which all Ohio schools face financial challenges. In fiscal year 2019, North Central Ohio ESC submitted a High Performing ESC application to ODE demonstrating that we provided a total savings of $1,617,974.58, which was equal to 49.11% in the selected five areas of Speech, Vision, Special Ed Supervision, Preschool, and Gifted Teacher services provided to our districts during the prior fiscal year. As a result, we received the High Performing ESC designation for fiscal year 2019 and were able to retain our per pupil amount of $26, instead of it being reduced to $24 if our application had not been submitted and approved.

Our ESC continues to grow by providing new services, programs, technology, professional development and special education services on behalf of the schools we serve through cost effective delivery and quality customer service to meet the educational needs of our partners. The ESC relies heavily on contracts with local, city, and exempted village school districts in Crawford, Seneca, Sandusky, Marion, Morrow, Union, and Wyandot Counties since the State Subsidy amount comprises less than 7% of our overall funding sources.

Marion City Schools has reduced services beginning in fiscal year 2019, which have been offset by the reduction of staff that were employed specifically for their district. For fiscal year 2020, Marion City Schools will no longer be aligned with the ESC. However, we have picked up four new schools bringing in more revenue and more programs. We continue to monitor expenditures and determine cost cutting measures to preserve our fund balance, while striving to develop new service areas to assist our districts in an ever-changing educational environment.

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Jude Hammond, Treasurer, North Central Ohio Educational Service Center, 928 West Market Street, Suite A, Tiffin, Ohio 44883-2529.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 816,362
Receivables:	
Accounts.	7,854
Intergovernmental, net	1,093,857
Net OPEB asset	1,189,913
Capital assets:	
Nondepreciable capital assets	148,850
Depreciable capital assets, net.	3,401,928
Capital assets, net	3,550,778
Total assets.	6,658,764
Deferred outflows of resources:	
Pension	6,616,710
OPEB	498,879
Total deferred outflows of resources.	7,115,589
Liabilities:	
Accounts payable.	143,453
Accrued wages and benefits payable	1,595,802
Pension and postemployment benefits payable .	247,537
Intergovernmental payable	40,593
Unearned revenue	302,236
Accrued interest payable	3,187
Long-term liabilities:	
Due within one year.	364,738
Due in more than one year:	
Net pension liability	24,284,792
Net OPEB liability	3,926,483
Other amounts due in more than one year .	3,805,461
Total liabilities	34,714,282
Deferred inflows of resources:	
Pension	4,270,542
OPEB	2,687,112
Total deferred inflows of resources	6,957,654
Net position:	
Net investment in capital assets	832,440
Restricted for:	
Locally funded programs	22,425
State funded programs.	461,273
Federally funded programs	2,926
Other purposes	10,456
Unrestricted (deficit)	(29,227,103)
Total net position (deficit).	$ (27,897,583)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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	$ 1,588,354	$ 1,848,383	$ 92,110	$ 352,139
Special	3,442,403	3,923,139	233,583	714,319
Other	283,304	-	-	(283,304)
Support services:				
Pupil	3,080,247	3,673,587	9,872	603,212
Instructional staff	2,962,707	2,379,473	1,125,276	542,042
Board of education	95,764	-	-	(95,764)
Administration	1,984,180	2,079,384	285,555	380,759
Fiscal	738,191	791,589	81,197	134,595
Business	138,191	-	-	(138,191)
Operations and maintenance	464,372	434,816	73,761	44,205
Pupil transportation	105,111	-	-	(105,111)
Central	1,031,937	1,124,473	17,509	110,045
Operation of non-instructional services:				
Other non-instructional services	222,085	1,902	280	(219,903)
Food service operations	13,620	-	14,890	1,270
Extracurricular activities	18,846	1,760	-	(17,086)
Interest and fiscal charges	79,601	-	-	(79,601)
Total governmental activities	$ 16,248,913	$ 16,258,506	$ 1,934,033	1,943,626
General revenues:				
Grants and entitlements not restricted to specific programs				881,952
Investment earnings				19,578
Miscellaneous				234,780
Total general revenues				1,136,310
Change in net position				3,079,936
Net position (deficit) at beginning of year				(30,977,519)
Net position (deficit) at end of year				$ (27,897,583)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Miscellaneous State Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and cash equivalents.	$ 753,932	$ 2,343	$ 60,087	$ 816,362
Receivables:				
Accounts	7,854	-	-	7,854
Intergovernmental, net.	487,198	518,611	88,048	1,093,857
Due from other funds	4,578	-	-	4,578
Total assets	$ 1,253,562	$ 520,954	$ 148,135	$ 1,922,651
Liabilities:				
Accounts payable	$ 108,678	$ 11,689	$ 23,086	$ 143,453
Accrued wages and benefits payable	1,579,899	8,715	7,188	1,595,802
Compensated absences payable	24,585	-	-	24,585
Intergovernmental payable	31,246	845	8,502	40,593
Unearned revenue.	302,236	-	-	302,236
Pension and postemployment benefits payable .	245,187	1,842	508	247,537
Due to other funds	-	-	4,578	4,578
Total liabilities.	2,291,831	23,091	43,862	2,358,784
Deferred inflows of resources:				
Intergovernmental revenue not available.	205,623	491,341	53,180	750,144
Fund balances:				
Nonspendable:				
Unclaimed monies	25	-	-	25
Restricted:				
Food service operations	-	-	10,456	10,456
Special education	-	-	161	161
Other purposes.	-	6,522	35,511	42,033
Committed:				
Debt service	-	-	12,632	12,632
Unassigned (deficit).	(1,243,917)	-	(7,667)	(1,251,584)
Total fund balances (deficit)	(1,243,892)	6,522	51,093	(1,186,277)
Total liabilities, deferred inflows				
and fund balances	$ 1,253,562	$ 520,954	$ 148,135	$ 1,922,651

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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

Total governmental fund balances (deficit)		$ (1,186,277)
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.		3,550,778
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Intergovernmental receivable		750,144
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	$ 6,616,710	
Deferred inflows of resources - pension	(4,270,542)	
Net pension liability	(24,284,792)	
Total		(21,938,624)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - OPEB	498,879	
Deferred inflows of resources - OPEB	(2,687,112)	
Net OPEB asset	1,189,913	
Net OPEB liability	(3,926,483)	
Total		(4,924,803)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(3,187)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	(2,555,000)	
Loans Payable	(740,821)	
Compensated absences	(849,793)	
Total		(4,145,614)
Net position (deficit) of governmental activities		$ (27,897,583)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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

	General	Miscellaneous State Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition.	$ 11,168,663	$ -	$ -	$ 11,168,663
Earnings on investments	19,578	-	-	19,578
Extracurricular.	-	-	2,000	2,000
Contributions and donations	26,121	-	600	26,721
Contract services.	4,380,392	38,819	3,612	4,422,823
Other local revenues	807,896	-	12,871	820,767
Intergovernmental - state	881,952	246,210	208,023	1,336,185
Intergovernmental - federal	-	-	1,456,772	1,456,772
Total revenues	17,284,602	285,029	1,683,878	19,253,509
Expenditures:				
Current:				
Instruction:				
Regular.	1,766,486	-	90,759	1,857,245
Special	3,964,364	-	237,630	4,201,994
Vocational	2,363	-	-	2,363
Other	347,959	-	-	347,959
Support services:				
Pupil	3,733,553	-	10,191	3,743,744
Instructional staff	2,388,869	216,783	915,825	3,521,477
Board of education	97,170	-	2,500	99,670
Administration	2,102,957	14,355	262,442	2,379,754
Fiscal	799,571	9,247	71,374	880,192
Business.	157,395	-	-	157,395
Operations and maintenance	439,200	6,878	66,163	512,241
Pupil transportation	125,613	-	-	125,613
Central	1,135,812	-	17,363	1,153,175
Operation of non-instructional services:				
Other non-instructional services	270,015	-	2,215	272,230
Food service operations.	-	-	15,301	15,301
Extracurricular activities	22,055	-	1,802	23,857
Debt service:				
Principal retirement.	11,050	25,000	155,000	191,050
Interest and fiscal charges	331	-	82,633	82,964
Total expenditures	17,364,763	272,263	1,931,198	19,568,224
Excess (deficiency) of revenues over (under) expenditures.	(80,161)	12,766	(247,320)	(314,715)
Other financing sources (uses):				
Transfers in.	-	-	256,146	256,146
Transfers (out)	(256,146)	-	-	(256,146)
Total other financing sources (uses)	(256,146)	-	256,146	-
Net change in fund balances	(336,307)	12,766	8,826	(314,715)
Fund balances (deficit) at beginning of year . .	(907,585)	(6,244)	42,267	(871,562)
Fund balances (deficit) at end of year	$ (1,243,892)	$ 6,522	$ 51,093	$ (1,186,277)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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		$ (314,715)
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 useful lives as depreciation expense.		
Capital asset additions	$ 52,298	
Current year depreciation	(157,928)	
Total		(105,630)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition	1,016	
Contract services	46,501	
Other local revenues	13,092	
Intergovernmental	14,731	
Total		75,340
Repayment of note, capital lease, and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Notes	155,000	
Capital leases	11,050	
Loan	25,000	
Total		191,050
In the statement of activities, interest is accrued on outstanding notes, whereas in the governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable		3,363
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,791,437
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(946,044)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		90,458
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		2,413,696
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.		(119,019)
Change in net position of governmental activities		$ 3,079,936

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash		
and cash equivalents	$ 1,067	$ 2,357,579
Receivables:		
Intergovernmental.	-	58,590
Total assets.	1,067	$ 2,416,169
Liabilities:		
Accounts payable.	-	$ 4,033
Intergovernmental payable	-	2,412,136
Total liabilities	-	$ 2,416,169
Net position:		
Held in trust for scholarships	1,067	
Total net position.	$ 1,067	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Purpose Trust
	Scholarship
Net position at beginning of year.	$ 1,067
Net position at end of year	$ 1,067

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The North Central Ohio Educational Service Center (the ESC) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The ESC is organized under Section 3311.03 of the Ohio Revised Code. The ESC operates under an elected Board (9 members) and is an administrative entity providing supervision and various other services to the school districts located in Marion, Sandusky, Seneca, Union and Wyandot Counties. The Board is its own fiscal agent and issues its own financial statements. The ESC serves as fiscal agent for the Seneca County Family and Children First Council (the Council) with the rights and responsibilities established by Section 121.37 of the Ohio Revised Code. Council funds are maintained in a separate agency fund by the ESC.

The ESC provides regular and special instruction. The ESC also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services and facilities acquisitions. The ESC is staffed by 173 noncertified employees and 196 certified employees.

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, food service, 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 has no component units. The basic financial statements of the reporting entity include only those of the ESC (the primary government).

The following organizations are described due to their relationship to the ESC:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)
NOECA is a jointly governed organization among forty-nine area school districts and ESC's. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts and ESC's. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating ESC and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating districts are located. Each district's authority is limited to its representation on the Board. Financial information can be obtained by contacting Matt Bauer, who serves as Controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

North Central Ohio Regional Council of Governments (NCORcog)
NCORcog is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial founding members and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 West Market Street, Tiffin, Ohio 44883.

PUBLIC ENTITY RISK POOLS

North Central Ohio Trust Regional Council of Governments (NCOT)
NCOT is a legally separate body politic and corporate organized as a regional Council of governments under Chapter 167 of the Ohio Revised Code consisting of the ESC, three school districts - Old Fort, Seneca East and Mohawk and one city school, Tiffin. NCOT is governed by an Assembly which consists of one representative from each participating school district and the ESC (usually the superintendent or designee). The Assembly elects officers for one year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the NCOT. All NCOT revenues are generated from charges for services. NCOT was formed for the purpose of providing and administering health insurance benefits for member governments.

In the case of NCOT, the ESC serves as fiscal agent and custodian but is not accountable; therefore, the operations of NCOT has been excluded from the ESC's financial statements, but the funds held on behalf of NCOT are included in an agency fund. To obtain financial information, write Jude Hammond, Treasurer, North Central Ohio Educational Service Center, 928 West Market Street, Suite A, Tiffin, Ohio 44883.

Ohio School Boards Association Workers' Compensation Group Rating Plan
The ESC participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the ESC's major governmental funds:

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.

Miscellaneous State Grants fund - This fund is used to account for various monies received from state agencies which are not classified elsewhere.

Other governmental funds of the ESC are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes.

PROPRIETARY FUND

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.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC's only trust fund is a private-purpose trust which accounts for scholarship programs for students. 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. 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.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the ESC, available means expected to be received within thirty 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: donations, interest, tuition, grants, entitlements 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. For the ESC, see Notes 12 and 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, intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the ESC, see Notes 12 and 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.

Unearned Revenue - Revenues received during fiscal year 2019 resulting from exchange transactions for which the ESC has yet to provide the requisite services as of June 30, 2019 have been recorded as unearned revenue on both the government-wide and fund financial statements.

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.

E. Budgets

Although not legally required, the ESC adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the ESC (which are apportioned by the State Department of Education to each local board of education under the supervision of the ESC), and Part (C) includes the adopted appropriation resolution.

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 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 and the Miscellaneous State Grants fund has been presented as supplementary information to the basic financial statements.

F. 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 cash equivalents" on the basic financial statements.

During fiscal year 2019, the ESC invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The ESC 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.

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 $50 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.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. By policy of the Board, investment earnings are assigned to the General fund and the private-purpose trust funds. Interest revenue credited to the General fund during fiscal year 2019 amounted to $19,578, which includes $971 assigned from other 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.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are valued at acquisition cost. The ESC maintains a capitalization threshold of $500. 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. The ESC does not possess infrastructure.

All reported capital assets, except land, 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
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Software	5 - 10 years

H. Interfund Balances

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

On the fund financials, other receivables related to interfund activity are classified as "due to/due from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

I. Compensated Absences

Compensated absences of the ESC consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the ESC and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service, including three with the ESC were considered expected to become eligible to retire in accordance with GASB Statement No. 16 (See Note 9 for detail on compensated absences).

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 applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. 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. 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.

K. 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.

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 Governing Board (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the ESC’s 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.

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.

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 food service operations.

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

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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

N. 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.

O. Interfund Activity

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

P. 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.

Q. 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 Board and that are either unusual in nature or infrequent in occurrence. Neither type occurred during fiscal year 2019.

R. 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:

Major fund:	Deficit
General	$ 1,243,892
Nonmajor funds:	
Education Foundation	4
IDEA, Part B	1,379
Title I	3,169
Miscellaneous Federal Grants	3,115

The General fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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 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 Assets Reserve of Ohio (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Cash on Hand

At fiscal year end, the ESC had $100 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all ESC deposits was $2,108,941. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, $1,903,765 of the ESC's bank balance of $2,307,638 was exposed to custodial risk as discussed below, while $403,873 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the ESC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the ESC and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For 2019, the ESC's financial institutions were approved for a reduced collateral rate through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the ESC to a successful claim by the FDIC.

C. Investments

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

Measurement/ Investment type	Measurement value	Investment Maturity 6 months or less
Net Value Per Share		
STAR Ohio	$ 1,065,967	$ 1,065,967

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. 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 is the possibility that an issuer or other counter party to an investment will not fulfill its obligation. The ESC's investments in STAR Ohio were assigned an AAAm money market rating by Standard & Poor's.

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 investment or collateral securities that are in the possession of an outside party. The ESC's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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
Net Value Per Share		
STAR Ohio	$ 1,065,967	100.00

D. 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	$ 2,108,941
Investments	1,065,967
Cash on hand	100
Total	$ 3,175,008

Cash and investments per statement of net assets	
Governmental activities	$ 816,362
Private-purpose trust	1,067
Agency funds	2,357,579
Total	$ 3,175,008

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	$ 256,146

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Due to/from other funds consisted of the following at June 30, 2019, as reported on the fund statement:

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	$ 4,578

The primary purpose of the amount due to the General fund from the nonmajor governmental funds was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2019 consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds except as noted. The intergovernmental receivables reported on the statement of net position follows.

Governmental activities:	
Accounts	$ 7,854
Intergovernmental:	
State and federal grants	118,250
State foundation adjustments	806
Food service reimbursement	1,538
BWC refund	43,855
LGIF receivable - justice center	475,000
LGIF receivable - IT	11,871
Contract services receivable	461,613
Less: allowance for uncollectibles	(19,076)
Net intergovernmental receivable	1,093,857
Total governmental activities	$ 1,101,711

NOTE 7 - CAPITAL ASSETS

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

	Balance 6/30/2018	Additions	Disposals	Balance 6/30/2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 148,850	$ -	$ -	$ 148,850
Total capital assets, not being depreciated	148,850	-	-	148,850
Capital assets, being depreciated:				
Buildings and improvements	3,774,850	-	-	3,774,850
Furniture and equipment	1,132,437	52,298	-	1,184,735
Software	54,631	-	-	54,631
Total capital assets, being depreciated	4,961,918	52,298	-	5,014,216
Less: accumulated depreciation:				
Buildings and improvements	(547,461)	(75,157)	-	(622,618)
Furniture and equipment	(852,268)	(82,771)	-	(935,039)
Software	(54,631)	-	-	(54,631)
Total accumulated depreciation	(1,454,360)	(157,928)	-	(1,612,288)
Governmental activities capital assets, net	$ 3,656,408	$ (105,630)	$ -	$ 3,550,778

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 76,327
Special	794
Other	9,004
Support services:	
Pupil	757
Instructional staff	7,307
Board of education	
Administration	818
Fiscal	482
Operations and maintenance	5,720
Pupil transportation	5,452
Central	50,712
Other non-instructional services	555
Total depreciation expense	$157,928

NOTE 8 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In a prior fiscal year, the ESC entered into capitalized leases for computer equipment. The leases were paid out of the General fund. The leases totaling $31,516 were not capitalized due to the individual equipment being below the capitalization threshold. The ESC fulfilled the capital lease obligations during fiscal year 2019.

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
Governmental activities:					
Promissory note - 3.14%	$ 2,710,000	$ -	$ (155,000)	$ 2,555,000	$ 160,000
LGIF loan - justice center	500,000	-	(25,000)	475,000	50,000
LGIF IT loan - IT	265,821	-	-	265,821	39,873
Compensated absences payable	733,965	277,809	(137,396)	874,378	114,865
Net pension liability	25,182,227	-	(897,435)	24,284,792	-
Net OPEB liability	6,529,053	181,196	(2,783,766)	3,926,483	-
Capital lease obligations	11,050	-	(11,050)	-	-
Total long-term obligations, governmental activities	$35,932,116	$ 459,005	$ (4,009,647)	$32,381,474	$ 364,738

Compensated absences, the net pension liability and the net OPEB liability will ultimately be paid from the fund from which the employee is paid, which is primarily the General fund.

See Note 12 for detail on the net pension liability.

See Note 13 for detail on the net OPEB liability.

See Note 8 for capital lease obligations.

On June 8, 2011, the ESC entered into a promissory note to provide financing for the acquisition of an administrative and educational services building. During 2017, the ESC received an adjustment to their future interest rates to decrease the rate from 3.55% to 3.14%. The note bears an interest rate of 3.14% and matures on December 1, 2031.

During fiscal year 2017, the ESC received a loan from the Local Government Initiative Fund (LGIF) from the State of Ohio related to the construction of the Joint Justice Center between Seneca County and the City of Tiffin. The ESC is responsible for paying back the loan and has entered into a Memorandum of Understanding (MOU) with Seneca County to repay 100% of the loan. The loan is a 0% interest loan in the amount of $500,000. $450,000 and $50,000 in loan proceeds were received by the ESC during fiscal year 2017 and 2018, respectively. Seneca County will pay the entire principal balance in equal quarterly installments to the ESC, which will then pass through the payments to the State of Ohio.

The ESC received an additional loan for Information Technology (IT) equipment from the LGIF. The loan is a 0% interest loan in the amount of $265,821. Tiffin City School District will pay its portion of the loan in the amount of $13,190 to the ESC over a period of 10 years. Payment on the loan is anticipated to begin during fiscal year 2020. A portion of the equipment purchased with the loan in the amount of $163,338 has been capitalized by the ESC at June 30, 2019. Accumulated depreciation as of June 30, 2019 was $68,294 leaving a current book value of $95,044.

The following is a summary of the ESC's future debt service requirements to maturity for the promissory note and LGIF loans:

Fiscal	Promissory Note		
Year Ended	Principal	Interest	Total
2020	$ 160,000	$ 77,715	$ 237,715
2021	165,000	72,612	237,612
2022	170,000	67,353	237,353
2023	175,000	61,937	236,937
2024	180,000	56,363	236,363
2025 - 2029	1,010,000	190,441	1,200,441
2030 - 2032	695,000	33,205	728,205
Total	$ 2,555,000	$ 559,626	$3,114,626

Fiscal Year Ended	LGIF Loan - Justice Center Principal	LGIF Loan - IT Principal
2020	$ 50,000	$ 39,873
2021	50,000	26,582
2022	50,000	26,582
2023	50,000	26,582
2024	50,000	26,582
2025 - 2029	225,000	119,620
Total	$ 475,000	$ 265,821

NOTE 10 - COMPENSATED ABSENCES

Sick Leave:
Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth days for each calendar month under contract. Sick leave is cumulative to 200 days.

Severance Pay:
At the time of retirement from the ESC, a severance amount calculated by a prescribed formula applied to the employee's unused sick leave and daily rate of pay at the time of retirement from the ESC is granted to employees in compliance with Ohio law. Upon payment of severance pay, the retiring employee's sick leave accumulation is reduced to zero.

Retirement

Severance pay is based on a one-time, lump sum payment to eligible employees. An employee's eligibility for severance pay is determined as of the final date of employment. The criteria are as follows:

1. The individual retires from the ESC.

2. Retirement is defined as disability retirement or service retirement under any State or municipal retirement system in this State.

3. The individual must be eligible for disability or service retirement as of the last date of employment with the ESC.

4. The individual must prove acceptance into the retirement system within 120 days of his/her last day of employment by having received and cashed his/her first retirement check.

5. The individual must have not less than 10 years of service with this ESC, the state or its political subdivisions, or any combination thereof. The last 3 years of employment must be with the ESC.

6. The individual must sign for his/her severance check certifying that all eligibility criteria are met.

7. In order to receive severance pay, classified and certified staff shall have provided written notification of his/her intention to retire 90 days prior to the anticipated retirement date. Administrative staff is required to provide written notification by April 1st of the retirement year.

The amount of the benefit due an employee shall be calculated as follows:

1. The employee's accrued, but unused sick leave will be multiplied by one-fourth.

2. The product will be multiplied by the per diem rate of pay at the time of retirement.

The amount of the benefit calculated in steps one and two shall not exceed the value of 50 days of accrued, but unused sick leave.

Receipt of payment for accrued but unused sick leave eliminates all sick leave credit accrued by the employee.

The Board pays severance pay to the estate or life insurance beneficiary of an employee who qualifies for retirement and who dies while actively employed.

Upon retirement, employees are entitled to compensation at their current rate of pay for all unused vacation leave to their credit up to a maximum of their earned, but unused vacation leave for the current year.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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. The ESC has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the ESC to the commercial company. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

B. Employee Health Insurance

The ESC participates in NCOT, a regional council of governments consisting of member school districts (See Note 2.A.). Each participating member pays premiums to NCOT for employee medical, dental, life and vision coverage. NCOT is responsible for the management and operation of the program. Upon withdrawal, the ESC is responsible for the payment of all NCOT liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of NCOT, all member's claims are paid without regard to the members account balance. NCOT Board of Directors has the right to return or not return monies to an existing participating member subsequent to the settlement of all expenses and claims.

C. Workers' Compensation

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A.). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts ESCs pay an enrollment fee to the GRP to cover the costs of administering the program.

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 school district and ESCs is calculated as one experience and a common premium rate is applied to all school district and ESCs in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and ESCs that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

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.

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 years. 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.

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 $534,593 for fiscal year 2019. Of this amount, $28,647 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 East Broad Street, Columbus, Ohio 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 26 years of service, or 31 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.

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 $1,256,844 for fiscal year 2019. Of this amount, $150,729 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, 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	0.13779880%	0.07134877%	
Proportion of the net pension liability current measurement date	0.13973330%	0.07405034%	
Change in proportionate share	0.00193450%	0.00270157%	
Proportionate share of the net pension liability	$ 8,002,785	$ 16,282,007	$ 24,284,792
Pension expense	$ 527,813	$ 418,231	$ 946,044

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	$ 438,901	$ 375,839	$ 814,740
Changes of assumptions	180,721	2,885,479	3,066,200
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	279,335	664,998	944,333
ESC contributions subsequent to the measurement date	534,593	1,256,844	1,791,437
Total deferred outflows of resources	$ 1,433,550	$ 5,183,160	$ 6,616,710

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 106,331	$ 106,331
Net difference between projected and actual earnings on pension plan investments	221,736	987,322	1,209,058
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	35,932	2,919,221	2,955,153
Total deferred inflows of resources	$ 257,668	$ 4,012,874	$ 4,270,542

$1,791,437 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:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	$ 727,405	$ 250,600	$ 978,005
2021	244,517	368,847	613,364
2022	(262,629)	(589,917)	(852,546)
2023	(68,004)	(116,088)	(184,092)
Total	$ 641,289	$ (86,558)	$ 554,731

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

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	$ 11,272,526	$ 8,002,785	$ 5,261,326

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

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'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.

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	$ 23,777,728	$ 16,282,007	$ 9,937,896

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.

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 $70,658.

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 $90,458 for fiscal year 2019. Of this amount, $71,719 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.

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	0.13955490%	0.07134877%	
Proportion of the net OPEB liability/asset current measurement date	0.14153210%	0.07405034%	
Change in proportionate share	0.00197720%	0.00270157%	
Proportionate share of the net OPEB liability	$ 3,926,483	$ -	$ 3,926,483
Proportionate share of the net OPEB asset	$ -	$ (1,189,913)	$ (1,189,913)
OPEB expense	$ 251,518	$ (2,665,214)	$ (2,413,696)

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	$ 64,094	$ 138,984	$ 203,078
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	109,072	96,271	205,343
ESC contributions subsequent to the measurement date	90,458	-	90,458
Total deferred outflows of resources	$ 263,624	$ 235,255	$ 498,879

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 69,328	$ 69,328
Net difference between projected and actual earnings on pension plan investments	5,890	135,938	141,828
Changes of assumptions	352,766	1,621,351	1,974,117
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	-	501,839	501,839
Total deferred inflows of resources	$ 358,656	$ 2,328,456	$ 2,687,112

$90,458 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	$ (85,883)	$ (386,473)	$ (472,356)
2021	(67,891)	(386,473)	(454,364)
2022	(10,903)	(386,473)	(397,376)
2023	(8,397)	(355,603)	(364,000)
2024	(8,805)	(344,769)	(353,574)
Thereafter	(3,611)	(233,410)	(237,021)
Total	$ (185,490)	$ (2,093,201)	$ (2,278,691)

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.

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.

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	$ 4,764,478	$ 3,926,483	$ 3,262,947

	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	$ 3,167,951	$ 3,926,483	$ 4,930,915

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.

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	$ 1,019,867	$ 1,189,913	$ 1,332,829

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 1,324,761	$ 1,189,913	$ 1,052,965

NOTE 14 - STATE FUNDING

State Per-Pupil Funding - This funding materializes in the form of a per-pupil amount applied to the same student count extracted from the latest Report Card. For the purposes of this funding, the law distinguishes the 'High Performing' ESCs pursuant to Rule 3301-105-01 of the Administrative Code from the other ESCs and applies two per-pupil amounts to their state funding based on that distinction. High Performing ESCs are granted a per-pupil amount of $26.00 while other ESCs' state funding is based on the per-pupil amount of $24.00.

The law provides for $40,000,000 in fiscal year 2019 to be set aside from the Foundation Funding (line item 200-550) for this purpose. As the appropriation for this funding is set and the funding is based on a constant per-pupil amount, it is often necessary and authorized by law for the fund distribution to be prorated in order to stay within the appropriations. Obviously as the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels.

Local Per-Pupil Funding - ORC Section 3313.843(H) provides that pursuant to provisions of ORC Section 3317.023 the Ohio Department of Education annually shall deduct from each school district that enters into an agreement with an ESC under this section, a per-pupil amount of $6.50 or an alternative amount in excess of $6.50 if agreed upon by both the ESC and the client districts to be paid to the ESC. The per-pupil amount is multiplied by the school age students count of the client district as reported on the latest Report Card.

NOTE 15 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the ESCs. These reviews are conducted to ensure the ESCs are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As of the date of this report, ODE adjustments for fiscal year 2019 are a total receivable of $806 for the ESC.

NOTE 16 - OTHER 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 fund	$ 85,384
Miscellaneous State Grants fund	10,976
Other governmental	60,407
Total	$ 156,767

NOTE 17 - MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

For the fiscal year ended June 30, 2019, the ESC has accumulated a GAAP basis deficit in the General fund of $1,243,892 and has a cash operating balance in the General fund at June 30, 2019 of $194,698. The ESC's fiscal year 2020 budget is projecting a cash operating balance in the General fund at June 30, 2020 of $343,510. The ESC is continuing to monitor the budget closely and is working on growing the General fund cash operating balance over future years.

The Board of Directors of the ESC is acutely aware of the financial position of the ESC and is committed to remedying the deficiencies in the General Operating Fund. The Board has given direction to the Audit/Finance Committee to develop a Corrective Action Plan with the goal to improve the financial position of the ESC. The committee will report back to the Board the Corrective Action Plan to assist with putting in place the action steps focused on the ESC developing and sustaining fiscal stability moving forward.

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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	0.13973330%	0.13779880%	0.13048660%	0.12759130%
ESC's proportionate share of the net pension liability	$ 8,002,785	$ 8,233,174	$ 9,550,415	$ 7,280,483
ESC's covered-employee payroll	$ 4,235,570	$ 4,538,457	$ 4,040,064	$ 3,841,161
ESC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.94%	181.41%	236.39%	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	
	0.15014700%		0.15014700%
$	7,598,854	$	8,928,760
$	4,362,973	$	4,326,329
	174.17%		206.38%
	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	0.07405034%	0.07134877%	0.08448585%	0.08197285%
ESC's proportionate share of the net pension liability	$ 16,282,007	$ 16,949,053	$ 28,279,961	$ 22,654,898
ESC's covered-employee payroll	$ 8,448,136	$ 7,540,771	$ 8,877,171	$ 8,508,264
ESC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.73%	224.77%	318.57%	266.27%
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
0.09202149%	0.09202149%
$ 22,382,811	$ 26,662,258
$ 9,402,054	$ 9,405,869
238.06%	283.46%
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	$ 534,593	$ 571,802	$ 635,384	$ 565,609
Contributions in relation to the contractually required contribution	(534,593)	(571,802)	(635,384)	(565,609)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered-employee payroll	$ 3,959,948	$ 4,235,570	$ 4,538,457	$ 4,040,064
Contributions as a percentage of covered-employee payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 506,265	$ 604,708	$ 598,764	$ 533,396	$ 476,387	$ 476,512
(506,265)	(604,708)	(598,764)	(533,396)	(476,387)	(476,512)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,841,161	$ 4,362,973	$ 4,326,329	$ 3,965,770	$ 3,789,873	$ 3,519,291
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	$ 1,256,844	$ 1,182,739	$ 1,055,708	$ 1,242,804
Contributions in relation to the contractually required contribution	(1,256,844)	(1,182,739)	(1,055,708)	(1,242,804)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered-employee payroll	$ 8,977,457	$ 8,448,136	$ 7,540,771	$ 8,877,171
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	1,191,157	$	1,222,267	$	1,222,763	$	1,097,398	$	1,030,252	$	988,611
	(1,191,157)		(1,222,267)		(1,222,763)		(1,097,398)		(1,030,252)		(988,611)
$	-	$	-	$	-	$	-	$	-	$	-
$	8,508,264	$	9,402,054	$	9,405,869	$	8,441,523	$	7,925,015	$	7,604,700
	14.00%		13.00%		13.00%		13.00%		13.00%		13.00%

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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	0.14153210%	0.13955490%	0.13165844%
ESC's proportionate share of the net OPEB liability	$ 3,926,483	$ 3,745,287	$ 3,752,753
ESC's covered-employee payroll	$ 4,235,570	$ 4,538,457	$ 4,040,064
ESC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	92.70%	82.52%	92.89%
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

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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	0.07405034%	0.07134877%	0.08448585%
ESC's proportionate share of the net OPEB liability/(asset)	$ (1,189,913)	$ 2,783,766	$ 4,518,325
ESC's covered-employee payroll	$ 8,448,136	$ 7,540,771	$ 8,877,171
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	14.08%	36.92%	50.90%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

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

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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	$ 90,458	$ 96,629	$ 74,770	$ 64,151
Contributions in relation to the contractually required contribution	(90,458)	(96,629)	(74,770)	(64,151)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered-employee payroll	$ 3,959,948	$ 4,235,570	$ 4,538,457	$ 4,040,064
Contributions as a percentage of covered-employee payroll	2.28%	2.28%	1.65%	1.59%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 104,079	$ 70,923	$ 77,004	$ 95,458	$ 124,496	$ 75,261
(104,079)	(70,923)	(77,004)	(95,458)	(124,496)	(75,261)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,841,161	$ 4,362,973	$ 4,326,329	$ 3,965,770	$ 3,789,873	$ 3,519,291
2.71%	1.63%	1.78%	2.41%	3.28%	2.14%

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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-employee payroll	$ 8,977,457	$ 8,448,136	$ 7,540,771	$ 8,877,171
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ -	$ 94,059	$ 84,415	$ 79,250	$ 78,489	$ 76,047
-	(94,059)	(84,415)	(79,250)	(78,489)	(76,047)
$ -	$ -	$ -	$ -	$ -	$ -
$ 8,508,264	$ 9,402,054	$ 9,405,869	$ 8,441,523	$ 7,925,015	$ 7,604,700
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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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%. 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) 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, (d) 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, (e) 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 (f) 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) cost of living adjustments were lowered from 2.00% to 0%. 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. Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability: (a) Municipal Bond Index Rate was increased from 2.92% to 3.56% and (b) Single Equivalent Interest Rate, net of plan investment expense, including price inflation was increased from 2.98% to 3.63%.

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 discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45%.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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 (Negative)
	Original	**Final**	**Actual**	
Revenues:				
From local sources:				
Tuition	$ 11,240,081	$ 11,219,474	$ 11,234,570	$ 15,096
Earnings on investments	16,000	16,000	19,578	3,578
Classroom materials and fees	50	50	-	(50)
Contributions and donations	8,150	17,150	21,121	3,971
Contract services	4,712,493	5,072,151	4,258,992	(813,159)
Other local revenues	1,145,345	1,047,081	731,887	(315,194)
Intergovernmental - state	874,652	874,652	880,616	5,964
Total revenues	17,996,771	18,246,558	17,146,764	(1,099,794)
Expenditures:				
Current:				
Instruction:				
Regular	1,829,726	1,839,599	1,791,560	48,039
Special	4,130,521	4,095,341	3,945,605	149,736
Vocational	64,296	63,944	27,339	36,605
Other	297,174	526,071	343,947	182,124
Support services:				
Pupil	3,816,368	3,838,310	3,732,839	105,471
Instructional staff	2,600,195	2,601,945	2,461,902	140,043
Board of education	144,793	143,522	98,683	44,839
Administration	2,220,152	2,255,828	2,050,461	205,367
Fiscal	788,696	832,863	802,696	30,167
Business	146,095	164,044	156,389	7,655
Operations and maintenance	539,876	544,868	494,399	50,469
Pupil transportation	126,230	129,810	124,111	5,699
Central	1,244,729	1,206,226	1,175,436	30,790
Operation of non-instructional services:				
Other non-instructional services	264,060	274,790	258,257	16,533
Extracurricular activities	361	22,132	22,055	77
Total expenditures	18,213,272	18,539,293	17,485,679	1,053,614
Excess of expenditures over revenues	(216,501)	(292,735)	(338,915)	(46,180)
Other financing sources (uses):				
Refund of prior year expenditures	86,936	86,936	84,288	(2,648)
Refund of prior year's receipts	-	(4,541)	(4,541)	-
Transfers in	-	50,000	58,502	8,502
Transfers (out)	(316,828)	(397,654)	(386,137)	11,517
Sale of capital assets	-	-	30	30
Total other financing sources (uses)	(229,892)	(265,259)	(247,858)	17,401
Net change in fund balance	(446,393)	(557,994)	(586,773)	(28,779)
Fund balance at beginning of year	822,547	822,547	822,547	-
Prior year encumbrances appropriated	309,767	309,767	309,767	-
Fund balance at end of year	$ 685,921	$ 574,320	$ 545,541	$ (28,779)

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Contract services	$ -	$ 25,000	$ 26,319	$ 1,319
Intergovernmental - state	267,143	283,154	248,290	(34,864)
Total revenues	267,143	308,154	274,609	(33,545)
Expenditures:				
Current:				
Instructional staff	327,473	247,833	235,493	12,340
Administration	20,398	14,493	14,361	132
Fiscal	12,900	9,729	9,729	-
Operations and maintenance	9,680	6,878	6,878	-
Debt service:				
Principal	-	25,000	25,000	-
Total expenditures	370,451	303,933	291,461	12,472
Net change in fund balance	(103,308)	4,221	(16,852)	(21,073)
Fund balance (deficit) at beginning of year	(15,782)	(15,782)	(15,782)	-
Prior year encumbrances appropriated	11,562	11,562	11,562	-
Fund balance (deficit) at end of year	$ (107,528)	$ 1	$ (21,072)	$ (21,073)

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

Although not legally required, the ESC adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts: Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the ESC (which are apportioned by the State Department of Education to each local board of education under the supervision of the ESC), and Part (C) includes the adopted appropriation resolution.

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 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 and the Miscellaneous State Grants fund has been presented as supplementary information to the basic financial statements.

While reporting financial position and changes in financial position/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 plus encumbrances.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General fund and the Miscellaneous State Grants fund are as follows:

Net Change in Fund Balance

	General Fund	Miscellaneous State Grants Fund
Budget basis	$ (586,773)	$ (16,852)
Net adjustment for revenue accruals	129,516	10,420
Net adjustment for expenditure accruals	(39,032)	(4,217)
Net adjustment for other sources/uses	(8,288)	-
Funds budgeted elsewhere	(19,742)	-
Adjustment for encumbrances	188,012	23,415
GAAP basis	$ (336,307)	$ 12,766

Certain funds that are budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the Public School Support fund, Termination Benefits fund and Unclaimed Money fund.

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NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR *Pass Through Grantor* Program / Cluster Title	Federal CFDA Number	Total Federal Receipts	Total Federal Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	$ 13,016	$ 13,016
Total U.S. Department of Agriculture		13,016	13,016
UNITED STATES DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	1,152,708	1,156,862
Special Education Preschool Grants	84.173	163,843	162,730
Total Special Education Cluster (IDEA)		1,316,551	1,319,592
Title I Grants To Local Educational Agencies	84.010	64,210	63,894
English Language Acquisition State Grants	84.365	33,663	33,663
Special Education - State Personnel Development	84.323	9,370	9,370
Passed Through Ohio Department of Developmental Disabilities			
Special Education-Grants for Infants and Families	84.181	29,704	29,704
Total U.S. Department of Education		1,453,498	1,456,223
Total Receipts and Expenditures of Federal Awards		**$ 1,466,514**	**$ 1,469,239**

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Central Ohio Educational Service Center, Seneca County, Ohio (the ESC's) 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

Receipts and 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 elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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.

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The ESC transferred the following amounts from 2019 to 2020 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	$9,143
English Language Acquisition State Grants	84.365	$8,013

The ESC transferred the following amounts from 2018 to 2019 programs:

Title I Grants to Local Educational Agencies	84.010	$4,884
English Language Acquisition State Grants	84.365	$22,447

OHIO AUDITOR OF STATE
KEITH FABER

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

North Central Ohio Educational Service Center
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Governors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Ohio Educational Service Center, Seneca 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 March 17, 2020, wherein we noted the ESC has suffered recurring losses from operations and has a net deficiency in the General fund.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 17, 2020

OHIO AUDITOR OF STATE
KEITH FABER

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

North Central Ohio Educational Service Center
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Governors:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

The ESC's Management is responsible for complying 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 opine on the ESC's compliance for the ESC's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the ESC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The ESC's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the ESC's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

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

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

Keith Faber
Auditor of State

Columbus, Ohio

March 17, 2020

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA 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?**	No
(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
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster (IDEA)
(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?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER

SENECA 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
APRIL 2, 2020