NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

OHIO AUDITOR OF STATE
KEITH FABER

Governing Board
North Point Educational Service Center
1210 E. Bogart Rd
Sandusky, OH 44870

We have reviewed the *Independent Auditor's Report* of the North Point Educational Service Center, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 8, 2019

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NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

North Point Educational Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Point Educational Service Center, Erie County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the North Point Educational Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Point Educational Service Center, Erie County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the North Point Educational Service Center’s basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) - General Fund (the “Schedule”) and related notes presents additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the North Point Educational Service Center’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Point Educational Service Center’s internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 13, 2018

The management's discussion and analysis of the North Point 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, 2017. 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 2017 are as follows:

- In total, net position of governmental activities decreased $746,903 which represents a 2.99% decrease from net position at June 30, 2016.

- General revenues accounted for $1,083,919 or 5.99% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, and capital grants and contributions accounted for $17,023,745 or 94.01% of total revenues of $18,107,664.

- The ESC had $18,854,567 in expenses related to governmental activities; $17,023,745 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,083,919 were not adequate to help provide for these programs.

- The general fund and the permanent improvement fund are the ESC's two major governmental funds. The general fund had $17,252,931 in revenues and $19,335,733 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance decreased $2,082,802 from $6,577,247 to a balance of $4,494,445.

- The permanent improvement fund had $1,024 in revenues and $1,500,000 in other financing sources. During fiscal year 2017, the permanent improvement fund's fund balance increased $1,501,024 to a balance of $1,501,024.

Using the 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 may understand the ESC as a financial whole, an entire operating entity. The statements 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 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 permanent improvement fund are the only two 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 the ESC perform financially during 2017?" The statement of net position and 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 considers 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 net position. The ESC's change in net position is important because it tells the reader that, for the ESC as a whole, the financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts and required educational programs, among others.

In the statement of net position and statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, and other operations.

The ESC's statement of net position and statement of activities can be found on pages 13 and 14 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental funds begins on page 10. 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' most significant funds. The ESC's two major governmental funds are the general fund and the permanent improvement 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 statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC is the fiscal agent of the Northern Ohio Educational Computer Association ("NOECA"), a computer consortium, and the Huron-Erie School Employees Insurance Association. NOECA is presented as an agency fund. The ESC also maintains agency funds to account for monies due to other governments, individuals or private organizations. All of the ESC's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 19. These activities are excluded from the ESC's other financial statements because these resources 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. The notes to the basic financial statements can be found on pages 21 through 48 of this report.

Budgetary Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information on pages 56 through 58.

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. The required supplementary information can be found on pages 49 through 55 of this report.

The ESC as a Whole

The table below provides a summary of the ESC's net position for fiscal years 2017 and 2016.

Net Position

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and other assets	$ 8,147,624	$ 8,764,306
Capital assets, net	958,215	985,447
Total assets	9,105,839	9,749,753
Deferred Outflows of Resources		
Pension	6,520,154	2,832,254
Total deferred outflows of resources	6,520,154	2,832,254
Liabilities		
Current liabilities	2,008,922	2,107,605
Long-term liabilities:		
Due within one year	173,171	164,985
Due in more than one year:		
Net pension liability	36,026,695	30,202,143
Other amounts	985,697	978,887
Total liabilities	39,194,485	33,453,620
Deferred Inflows of Resources		
Pensions	2,137,549	4,087,525
Total deferred inflows of resources	2,137,549	4,087,525
Net Position		
Net investment in capital assets	958,215	985,447
Restricted	2,645	11,004
Unrestricted (deficit)	(26,666,901)	(25,955,589)
Total net position (deficit)	$ (25,706,041)	$ (24,959,138)

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

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

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

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

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

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

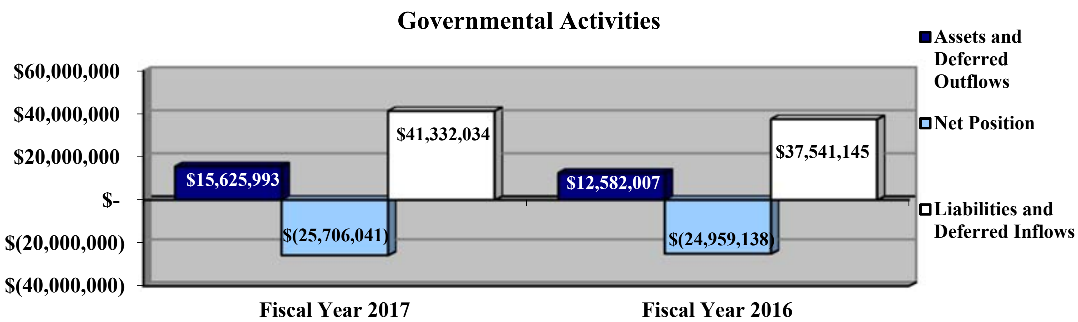
In accordance with GASB 68, the ESC's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the ESC's liabilities and deferred inflows exceeded assets and deferred outflows by $25,706,041. Of this total, $2,645 is restricted in use.

At year-end, capital assets represented 10.52% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. The ESC's investment in capital assets at June 30, 2017, was $958,215. These capital assets are used to provide the ESC's services, thus net position invested in capital assets equal to the carrying value of assets is not available for future spending.

A portion of the ESC's net position, $2,645, represents resources that are subject to external restriction on how these resources may be used. The remaining balance of unrestricted net position is a deficit of $26,666,901.

The graph that follows illustrates the governmental activities assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2017 and 2016.



Governmental Activities

Net position of the ESC's governmental activities decreased $746,903 due primarily to an increase in net pension liability during fiscal year 2017. Total governmental expenses of $18,854,567 were not completely offset by program revenues of $17,023,745 and general revenues of $1,083,919. Program revenues supported 90.29% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from sales and charges for services provided to other entities. This revenue source represents 89.86% of total governmental revenue.

The table below shows the change in net position for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services and sales	$ 16,272,192	$ 15,940,741
Operating grants and contributions	750,529	636,857
Capital grants and contributions	1,024	-
General revenues:		
Grants and entitlements	1,004,706	1,048,444
Investment earnings	43,106	29,025
Miscellaneous	36,107	35,914
Total revenues	18,107,664	17,690,981

Change in Net Position (Continued)

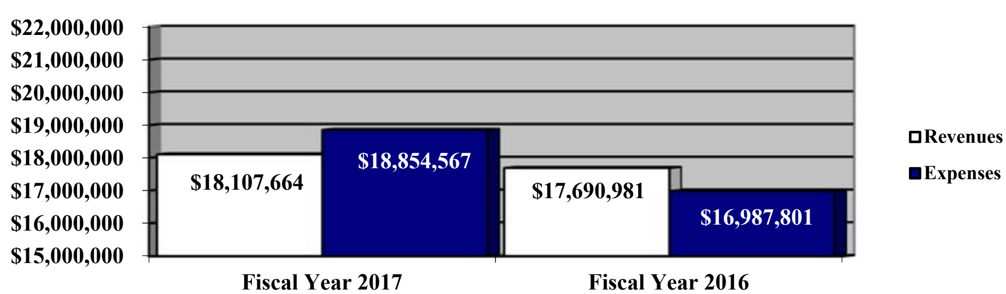
	Governmental Activities 2017	Governmental Activities 2016
Expenses		
Program expenses:		
Instruction:		
Regular	912,019	762,636
Special	7,763,620	6,819,351
Support services:		
Pupil	5,033,719	4,503,537
Instructional staff	3,053,435	3,253,086
Board of education	69,571	70,984
Administration	600,728	533,695
Fiscal	441,831	416,433
Business	7,062	2,240
Operations and maintenance	625,758	512,012
Central	242,261	1,850
Operation of non-instructional services	81,836	85,014
Extracurricular activities	22,727	26,963
Total expenses	18,854,567	16,987,801
Change in net position	(746,903)	703,180
Net position (deficit) at beginning of year	(24,959,138)	(25,662,318)
Net position (deficit) at end of year	$ (25,706,041)	$ (24,959,138)

Total revenues of the ESC increased $416,683 or 2.36%. The ESC had an increase in restricted operating grants of $113,672 that contributed to the ESC's increase in revenues for fiscal year 2017. The ESC's earnings on investments increased $14,081 or 48.51% due to the ESC investing more funds into investment accounts.

Total expense of the ESC increased $1,866,766 or 10.99%. Much of this increase can be attributed to the ESC increasing special instruction expenditures by $944,629.

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2017 and 2016.

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.

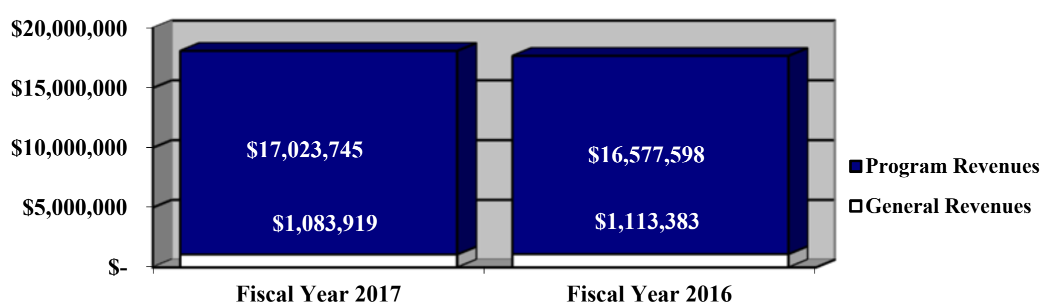
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses				
Instruction:				
Regular	$ 912,019	$ 110,609	$ 762,636	$ 38,718
Special	7,763,620	706,836	6,819,351	264,578
Support services:				
Pupil	5,033,719	436,143	4,503,537	43,975
Instructional staff	3,053,435	169,649	3,253,086	43,474
Board of education	69,571	7,711	70,984	9,940
Administration	600,728	(802)	533,695	(52,397)
Fiscal	441,831	39,236	416,433	(11,686)
Business	7,062	7,062	2,240	2,240
Operations and maintenance	625,758	195,950	512,012	84,164
Central	242,261	95,335	1,850	(83,686)
Operation of non-instructional services	81,836	65,248	85,014	68,522
Extracurricular activities	22,727	(2,155)	26,963	2,361
Total expenses	$ 18,854,567	$ 1,830,822	$ 16,987,801	$ 410,203

For all governmental activities, program revenue support is 90.29%. The primary support of the ESC is contracted fees for services provided to other districts.

The graph below presents the ESC's governmental activities revenue for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of $5,998,114, which is lower than last year's balance of $6,576,779. The schedule below indicates the fund balances and the total change in fund balance during the fiscal years ended June 30, 2017 and June 30, 2016.

	Fund Balance June 30, 2017	Fund Balance (deficit) June 30, 2016	Change
General	$ 4,494,445	$ 6,577,247	$ (2,082,802)
Permanent improvement	1,501,024	-	1,501,024
Nonmajor governmental	2,645	(468)	3,113
Total	$ 5,998,114	$ 6,576,779	$ (578,665)

General Fund

The ESC's general fund balance decreased by $2,082,802. Overall revenues increased by 1.25%. Services provided to other entities increased from $326,009 to $636,273 or 95.17% due to the ESC providing more services to districts during fiscal year 2017. Additionally, the intergovernmental revenue decreased $43,738 or 4.17%.

Expenditures in the general fund increased $954,521 or 5.65% from fiscal year 2016. Instructional expenditures increased $700,524 or 9.68%. This increase was due primarily to an increase in special instruction expenditures most notably in the areas of salaries, fringe benefits and purchased services. Support service expenditures increased $265,025 or 2.76%. This increase was due mainly to an increase in pupil and instructional staff which showed increases in the areas of salaries, fringe benefits and purchased services.

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

	2017 Amount	2016 Amount	Change	Percentage Change
Revenues				
Tuition	$ 15,514,026	$ 15,566,555	$ (52,529)	(0.34) %
Services provided to other entities	636,273	326,009	310,264	95.17 %
Earnings on investments	43,778	26,294	17,484	66.49 %
Intergovernmental	1,004,706	1,048,444	(43,738)	(4.17) %
Other revenues	54,148	72,981	(18,833)	(25.81) %
Total	$ 17,252,931	$ 17,040,283	$ 212,648	1.25 %
Expenditures				
Instruction	$ 7,935,604	$ 7,235,080	$ 700,524	9.68 %
Support services	9,864,792	9,599,767	265,025	2.76 %
Operation on non-instructional services	12,782	18,624	(5,842)	(31.37) %
Extracurricular activities	22,555	27,741	(5,186)	(18.69) %
Total	$ 17,835,733	$ 16,881,212	$ 954,521	5.65 %

Permanent Improvement Fund

The ESC's permanent improvement fund balance increased by $1,501,024. The majority of the fund's increase was due to a transfer from the general fund of $1,500,000.

Capital Assets

At the end of fiscal year 2017, the ESC had $958,215 invested in land, buildings, furniture and equipment, and vehicles. This entire amount is reported among the ESC's governmental activities.

The following table shows June 30, 2017 balances compared to June 30, 2016.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	$ 114,850	$ 114,850
Buildings	809,093	826,611
Furniture and equipment	18,384	25,436
Vehicles	15,888	18,550
Total	$ 958,215	$ 985,447

The overall decrease in the ESC's capital assets, net of accumulated depreciation, of $27,232 is attributable to the depreciation of the ESC's assets.

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

Long-Term Obligations

The only long-term liabilities for the ESC's governmental activities are for compensated absences and net pension liability. See Notes 8 and 11 to the basic financial statements for detail.

Current Financial Related Activities

The North Point Educational Service Center relies heavily on contracts with local, city and exempted village school Districts in a five-county area, State foundation revenue and grants. Contracts with participating Districts are expected to increase in fiscal year 2017 and beyond due to additional service requests from Districts. The ESC also looks to expand services, providing fiscal, administrative and other services to entities. Currently some of those entities are the Northern Ohio Educational Computer Association, Bay Area Gas Consortium, and the Huron-Erie School Employees Insurance Consortium. These new contracts and expanded services along with the ESC's cash balance will provide the necessary funds to meet operating expenses in the future.

One challenge that is being faced by Educational Service Centers is the legislation regarding how Districts are "tied" to an ESC. Now that the supervisory allowance, gifted funding and preschool funding have been deleted or altered in some way. These changes have led the ESC to bill differently for these programs. What effect this legislation will have on future State funding and on ESC financial operations is uncertain at this time. Uncertainty with the State biennial budget and future budget cuts are also a concern.

Another challenge facing the North Point Educational Service Center is the declining enrollment in the north central Ohio area over the past several years, and the projected decline in the future. State foundation funding is based on the average daily membership of the school Districts in the counties, so the continued decline will directly impact State funding.

Contacting the ESC's Financial Management

This financial report is designed to provide local school districts, citizens, creditors, and other interested parties with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Matt Bauer, Treasurer, North Point ESC, 4918 Milan Road, Sandusky, Ohio 44870or by calling (419) 627-3900.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 7,454,079
Receivables:	
Accounts	94,543
Accrued interest	3,375
Intergovernmental	553,514
Prepayments	42,113
Capital assets:	
Nondepreciable capital assets	114,850
Depreciable capital assets, net	843,365
Capital assets, net	958,215
Total assets	9,105,839
Deferred outflows of resources:	
Pension - STRS	4,415,697
Pension - SERS	2,104,457
Total deferred outflows of resources	6,520,154
Liabilities:	
Accounts payable	26,288
Accrued wages and benefits payable	1,644,359
Intergovernmental payable	38,111
Pension and postemployment benefits payable	300,164
Long-term liabilities:	
Due within one year	173,171
Due in more than one year:	
Net pension liability	36,026,695
Other amounts due in more than one year	985,697
Total liabilities	39,194,485
Deferred inflows of resources:	
Pension - STRS	1,396,142
Pension - SERS	741,407
Total deferred inflows of resources	2,137,549
Net position:	
Investment in capital assets	958,215
Restricted for:	
Permanent fund - nonexpendable	2,645
Unrestricted (deficit)	(26,666,901)
Total net position (deficit)	$ (25,706,041)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental activities:					
Instruction:					
Regular	$ 912,019	$ 667,607	$ 133,803	$ -	$ (110,609)
Special	7,763,620	6,591,800	464,984	-	(706,836)
Support services:					
Pupil	5,033,719	4,557,554	40,022	-	(436,143)
Instructional staff	3,053,435	2,808,116	75,670	-	(169,649)
Board of education	69,571	61,860	-	-	(7,711)
Administration	600,728	592,530	9,000	-	802
Fiscal	441,831	388,195	14,400	-	(39,236)
Business	7,062	-	-	-	(7,062)
Operations and maintenance	625,758	428,784	-	1,024	(195,950)
Central	242,261	146,926	-	-	(95,335)
Operation of non-instructional services	81,836	11,528	5,060	-	(65,248)
Extracurricular activities	22,727	17,292	7,590	-	2,155
Total governmental activities	$ 18,854,567	$ 16,272,192	$ 750,529	$ 1,024	(1,830,822)

General revenues:	
Grants and entitlements not restricted to specific programs	1,004,706
Investment earnings	43,106
Miscellaneous	36,107
Total general revenues	1,083,919
Change in net position	(746,903)
Net position (deficit) at beginning of year	(24,959,138)
Net position (deficit) at end of year	$ (25,706,041)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 5,950,410	$ 1,501,024	$ 2,645	$ 7,454,079
Receivables:				
Accounts	94,543	-	-	94,543
Accrued interest	3,375	-	-	3,375
Intergovernmental.	552,333	-	1,181	553,514
Prepayments.	42,113	-	-	42,113
Total assets	$ 6,642,774	1,501,024	$ 3,826	$ 8,147,624
Liabilities:				
Accounts payable	$ 25,107	$ -	$ 1,181	$ 26,288
Accrued wages and benefits payable	1,644,359	-	-	1,644,359
Compensated absences payable	8,612	-	-	8,612
Intergovernmental payable	38,111	-	-	38,111
Pension obligation payable	300,164	-	-	300,164
Total liabilities.	2,016,353	-	1,181	2,017,534
Deferred inflows of resources:				
Accrued interest not available.	2,059	-	-	2,059
Miscellaneous revenue not available.	2,940	-	-	2,940
Contract services not available	31,538	-	-	31,538
Tuition revenue not available	95,439	-	-	95,439
Total deferred inflows of resources	131,976	-	-	131,976
Fund balances:				
Nonspendable:				
Prepaids.	42,113	-	-	42,113
Permanent fund	-	-	2,645	2,645
Committed:				
Capital improvements	-	1,501,024	-	1,501,024
Assigned:				
Student instruction	34,454	-	-	34,454
Student and staff support.	102,842	-	-	102,842
Facilities acquisition and construction	7,039	-	-	7,039
Other purposes.	42,655	-	-	42,655
Unassigned	4,265,342	-	-	4,265,342
Total fund balances	4,494,445	1,501,024	2,645	5,998,114
Total liabilities, deferred inflows and fund balances .	$ 6,642,774	$ 1,501,024	$ 3,826	$ 8,147,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		$ 5,998,114
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.		958,215
Other long-term assets, such as accounts receivable are not available available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Tuition revenue receivable	$ 95,439	
Contract services receivable	31,538	
Miscellaneous revenue receivable	2,940	
Accrued interest receivable	2,059	
Total		131,976
Long-term liabilities, such as compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		(1,150,256)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - Pension	6,520,154	
Deferred Inflows - Pension	(2,137,549)	
Net pension liability	(36,026,695)	
Total		(31,644,090)
Net position (deficit) of governmental activities		$ (25,706,041)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	$ 15,514,026	-	$ -	$ 15,514,026
Earnings on investments	43,778	1,024	-	44,802
Extracurricular	3,420	-	-	3,420
Rental income	2,860	-	-	2,860
Contributions and donations	12,650	-	-	12,650
Contract services	636,273	-	57,050	693,323
Other local revenues	35,218	-	-	35,218
Intergovernmental - intermediate	-	-	19,234	19,234
Intergovernmental - state	1,004,706	-	551,905	1,556,611
Intergovernmental - federal	-	-	173,466	173,466
Total revenues	17,252,931	1,024	801,655	18,055,610
Expenditures:				
Current:				
Instruction:				
Regular	682,973	-	174,701	857,674
Special	7,252,631	-	427,755	7,680,386
Support services:				
Pupil	4,955,971	-	15,145	4,971,116
Instructional staff	3,020,965	-	88,538	3,109,503
Board of education	69,317	-	-	69,317
Administration	549,451	-	9,000	558,451
Fiscal	425,645	-	14,400	440,045
Business	5,195	-	-	5,195
Operations and maintenance	616,213	-	-	616,213
Central	222,035	-	-	222,035
Operation of non-instructional services	12,782	-	69,003	81,785
Extracurricular activities	22,555	-	-	22,555
Total expenditures	17,835,733	-	798,542	18,634,275
Excess (deficiency) of revenues over (under) expenditures	(582,802)	1,024	3,113	(578,665)
Other financing sources (uses):				
Transfers in	-	1,500,000	-	1,500,000
Transfers (out)	(1,500,000)	-	-	(1,500,000)
Total other financing sources (uses)	(1,500,000)	1,500,000	-	-
Net change in fund balances	(2,082,802)	1,501,024	3,113	(578,665)
Fund balances (deficit) at beginning of year	6,577,247	-	(468)	6,576,779
Fund balances at end of year	$ 4,494,445	$ 1,501,024	$ 2,645	$ 5,998,114

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds		$ (578,665)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(27,232)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition	$ 53,311	
Contract services	5,252	
Earnings on investments	(672)	
Intergovernmental	(6,726)	
Miscellaneous	889	
Total		52,054
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 the governmental funds.		(6,384)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,706,158
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,892,834)
Change in net position of governmental activities		$ (746,903)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABIILITIES
FIDUCIARY FUND
JUNE 30, 2017

	Agency
Assets:	
Equity in pooled cash and investments . . .	$ 17,249,192
Total assets.	$ 17,249,192
Liabilities:	
Due to other governments.	$ 17,249,192
Total liabilities	$ 17,249,192

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE ESC

The North Point 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 an Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Governing Board of Education (thirteen members) and is responsible for the provision of public education to residents of the local school districts that it services.

The ESC is the result of the July 1, 1997, merger of the Erie County Educational Service Center and the Ottawa County Educational Service Center, the July 1, 1999, merger of the Erie-Ottawa Educational Service Center and the Huron County Educational Service Center, and the July 1, 2008 merger of the Erie-Huron-Ottawa Educational Service Center and the Sandusky County Educational Service Center, under the authority of the Ohio Revised Code Section 3311.053 and 3311.054 and resolutions made by the Governing Boards.

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, support services, 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).

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments
The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of numerous school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the ESC is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. Financial activity for fiscal year 2017 is reported in the basic financial statements as an agency fund.

Northern Ohio Educational Computer Association
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of numerous public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees and a representative from the fiscal agent. The ESC serves as fiscal agent for NOECA. Financial activity for 2017 is reported in the basic financial statements as an agency fund. The ESC paid NOECA $74,058 in fiscal year 2017 for its services.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials 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 Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association
The Huron-Erie School Employees Insurance Association (the "Association") is a public entity risk pool comprised of numerous districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. On January 1, 2006, the ESC became fiscal agent for the Association. Financial activity for fiscal year 2017 is reported in the basic financial statements as an agency fund. This financial activity does not include federal securities and various investments for which the treasurer of the ESC is not the custodian.

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

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. The ESC does not have any proprietary funds.

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.

Permanent Improvement fund – The Permanent Improvement fund is used to account for the acquisition, construction, or improvement of capital facilities.

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 other than debt service or capital projects.

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. 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 and individuals.

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.

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

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

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

D. Basis of Accounting

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

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

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

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

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, tuition, interest revenue, revenue from services provided to other entities, intergovernmental revenue and miscellaneous revenues are considered to be both measurable and available at fiscal year end.

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 Note 11 for deferred outflows of resources related the ESC's net pension liability.

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, accrued interest, miscellaneous revenue, contract services, and tuition revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the ESC, See Note 11 for deferred inflows of resources related to the ESC's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Investments

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

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

During fiscal year 2017, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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 fiscal year end is provided in Note 4.

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The ESC's capitalization threshold is $5,000. The ESC does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

All reported capital assets 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	30 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

G. Compensated Absences

Compensated absences of the ESC consist of vacation leave and sick leave 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 severance is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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.

H. 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 and net pension liability 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.

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

I. Fund Balance

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

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

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 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 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.

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

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "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 ESC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. 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. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the funds balance is nonspendable on the fund financial statements by an amount equal to the carrying amount of the asset.

L. 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.

M. Interfund Activity

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

N. Pensions

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2017, the ESC has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 had no effect on the financial statements of the ESC.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the ESC.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the ESC.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the ESC.

NOTE 4 - DEPOSITS AND INVESTMENTS

The ESC maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "equity in pooled cash and investments". Statutes require the classification of monies held by the ESC into three categories, as follows.

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

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

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

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

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

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

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

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

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

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

6. The State Treasurer's investment pool (STAR Ohio);

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 $43 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all ESC deposits was $11,402,281. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosure*", as of June 30, 2017, $4,022,828 of the ESC's bank balance of $11,525,168 was exposed to custodial risk as discussed below, while $7,502,340 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2017, the ESC had the following investments and maturities:

Investment/Measurement type	Measurement Value	Investment Maturity 6 months or less
Amortized cost:		
STAR Ohio	$ 13,300,947	$ 13,300,947

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. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service. The ESC's investments in STAR Ohio were assigned an AAAm money market rating by Standard & Poor's. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its 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, 2017:

Investment/Measurement type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 13,300,947	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2017:

Cash and investments per note	
Carrying amount of deposits	$ 11,402,281
Investments	13,300,947
Cash on hand	43
Total	$ 24,703,271
Cash and investments per statement of net position	
Governmental activities	$ 7,454,079
Agency funds	17,249,192
Total	$ 24,703,271

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts (charges for individual tuition and other services) accrued interest and intergovernmental (grants and billings to school districts for user charged services). All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Accounts	$ 94,543
Accrued interest	3,375
Intergovernmental	553,514
Total	$ 651,432

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 6 - STATE FUNDING

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

Part (B) of the budget is funded in the following way: $6.50 times the Average Daily Membership (ADM- the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the local school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, $40.52 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

NOTE 6 - STATE FUNDING - (Continued)

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of $43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment. The local school districts to which the ESC provides services have agreed to pay a per pupil amount to provide additional funding for services provided by the ESC, $9.50 per pupil for school districts located in Erie County and $6.50 for school districts located in Huron, Ottawa, and Sandusky Counties.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Captial assets, not being depreciated:				
Land	$ 114,850	$ -	$ -	$ 114,850
Total capital assets, not being depreciated	114,850	-	-	114,850
Capital assets, being depreciated:				
Buildings	876,246	-	-	876,246
Furniture and equipment	306,816	-	-	306,816
Vehicles	42,105	-	-	42,105
Total capital assets, being depreciated	1,225,167	-	-	1,225,167
Less: accumulated depreciation				
Buildings	(49,635)	(17,518)	-	(67,153)
Furniture and equipment	(281,380)	(7,052)	-	(288,432)
Vehicles	(23,555)	(2,662)	-	(26,217)
Total accumulated depreciation	(354,570)	(27,232)	-	(381,802)
Governmental activities capital assets, net	$ 985,447	$ (27,232)	$ -	$ 958,215

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$ 17,518
Support services:	
Instructional staff	4,790
Business	1,867
Operations and maintenance	3,057
Total depreciation expense	$ 27,232

NOTE 8 - LONG-TERM OBLIGATIONS

The ESC's long-term obligations at fiscal year-end consist of the following.

	Balance Outstanding 6/30/16	Additions	Reductions	Balance Outstanding 6/30/17	Amounts Due in One Year
Compensated absences	$ 1,143,872	$ 251,708	$ (236,712)	$ 1,158,868	$ 173,171
Net pension liability	30,202,143	5,824,552	-	36,026,695	-
Total	$ 31,346,015	$ 6,076,260	$ (236,712)	$ 37,185,563	$ 173,171

Compensated absences will be paid from the fund from which the employee's salaries are paid, which is primarily the general fund.

NOTE 9 - OPERATING LEASE

A. The ESC entered into an operating lease agreement on November 13, 2015, with Artino Ford to lease a 2015 Ford Escape. The term of the lease commenced November 13, 2015, and shall end on November 13, 2018. Notwithstanding any provision to the contrary, the lease shall automatically terminate upon the expiration of the lease.

The ESC shall pay to Artino Ford payments in monthly installments on the first day of each month during the term. The ESC made $4,018 in payments to Artino Ford during fiscal year 2017. A schedule of future lease payments can be found below.

Fiscal year ending June 30,	Amount
2018	$ 4,018
2019	1,339
Total	$ 5,357

B. The ESC entered into an operating lease with Erie County for the period January 1, 2017 through July 31, 2022 for a building located at 4405 Galloway Road, Sandusky, Ohio 44870. The lease payments are $3,000 per month.

NOTE 10 - RISK MANAGEMENT

A. The ESC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the ESC has contracted with various insurance commercial carriers to provide insurance coverage for the following risks:

- Commercial property
- Inland marine
- Business liability
- Business personal property
- Business auto
- Education liability

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Employee Health Benefits

The ESC provides employee health care benefits through the Huron-Erie School Employees Insurance Association.

The ESC has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 13 school districts that provide public education within Erie and Huron Counties. The school districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the ESC shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

C. Workers' Compensation Group Rating Plan

The ESC participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts than can meet the Plan's selection criteria. The firm of Sheakley UniServe, Inc. provides administrative, cost control, assistance with safety programs and actuarial services to the Plan.

NOTE 11 - 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 –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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The ESC's contractually required contribution to SERS was $584,051 for fiscal year 2017. Of this amount, $49,956 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The ESC was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The ESC’s contractually required contribution to STRS was $1,122,107 for fiscal year 2017. Of this amount, $124,554 is reported as pension and postemployment benefits payable.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability was measured as of June 30, 2016, 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 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	0.128782800%	0.082692080%	
Proportion of the net pension liability current measurement date	0.127655300%	0.07971647%	
Change in proportionate share	-0.001127500%	-0.002975610%	
Proportionate share of the net pension liability	$ 9,343,190	$ 26,683,505	$ 36,026,695
Pension expense	$ 468,075	$ 1,424,759	$ 1,892,834

At June 30, 2017, 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	$ 126,020	$ 1,078,142	$ 1,204,162
Net difference between projected and actual earnings on pension plan investments	770,677	2,215,448	2,986,125
Changes of assumptions	623,709	-	623,709
ESC contributions subsequent to the measurement date	584,051	1,122,107	1,706,158
Total deferred outflows of resources	$ 2,104,457	$ 4,415,697	$ 6,520,154
Deferred inflows of resources			
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	$ 741,407	$ 1,396,142	$ 2,137,549
Total deferred inflows of resources	$ 741,407	$ 1,396,142	$ 2,137,549

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

$1,706,158 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 36,201	$ 118,167	$ 154,368
2019	35,648	118,168	153,816
2020	485,611	968,296	1,453,907
2021	221,539	692,817	914,356
Total	$ 778,999	$ 1,897,448	$ 2,676,447

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member 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.

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

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

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 %	

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
ESC's proportionate share of the net pension liability	$ 12,369,801	$ 9,434,190	$ 6,809,790

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 7.75 percent, 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
ESC's proportionate share of the net pension liability	$ 35,460,210	$ 26,683,505	$ 19,279,837

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to ESC's NPL is expected to be significant.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the ESC's surcharge obligation was $70,250.

The ESC's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $70,250, $64,601, and $105,534, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The ESC did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 13 - 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.

NOTE 14 - 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	Encumbrances
General	$ 148,335
Permanent imptovement	$ 850,000
Nonmajor governmental funds	72
Total	$ 998,407

NOTE 15 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

Transfer from general fund to:	Amount
Permanent improvement fund	$ 1,500,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) 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; therefore, no transfers are reported in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
ESC's proportion of the net pension liability	0.12765530%	0.12878280%	0.15575100%	0.15575100%
ESC's proportionate share of the net pension liability	$ 9,343,190	$ 7,348,471	$ 7,862,469	$ 9,262,012
ESC's covered payroll	$ 4,065,500	$ 3,877,033	$ 4,525,815	$ 3,664,689
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	229.82%	189.54%	173.72%	252.74%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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 FOUR FISCAL YEARS

	2017	2016	2015	2014
ESC's proportion of the net pension liability	0.07971647%	0.08269208%	0.08659003%	0.08659003%
ESC's proportionate share of the net pension liability	$ 26,683,505	$ 22,853,672	$ 21,061,692	$ 25,088,550
ESC's covered payroll	$ 7,765,879	$ 8,834,186	$ 8,847,108	$ 10,074,808
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	343.60%	258.70%	238.06%	249.02%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 584,051	$ 569,170	$ 510,993	$ 627,278
Contributions in relation to the contractually required contribution	(584,051)	(569,170)	(510,993)	(627,278)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 4,171,793	$ 4,065,500	$ 3,877,033	$ 4,525,815
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

2013		2012		2011		2010		2009		2008	
$	507,193	$	476,531	$	489,475	$	550,907	$	396,993	$	376,937
	(507,193)		(476,531)		(489,475)		(550,907)		(396,993)		(376,937)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,664,689	$	3,542,981	$	3,893,994	$	4,068,737	$	4,034,482	$	3,838,462
	13.84%		13.45%		12.57%		13.54%		9.84%		9.82%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 1,122,107	$ 1,087,223	$ 1,236,786	$ 1,150,124
Contributions in relation to the contractually required contribution	(1,122,107)	(1,087,223)	(1,236,786)	(1,150,124)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 8,015,050	$ 7,765,879	$ 8,834,186	$ 8,847,108
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

	2013	2012	2011	2010	2009	2008
	$ 1,309,725	$ 1,258,968	$ 1,313,583	$ 1,276,459	$ 1,254,451	$ 1,172,343
	(1,309,725)	(1,258,968)	(1,313,583)	(1,276,459)	(1,254,451)	(1,172,343)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 10,074,808	$ 9,684,369	$ 10,104,485	$ 9,818,915	$ 9,649,623	$ 9,018,023
	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Tuition	$ 15,723,433	$ 15,723,433	$ 15,606,864	$ (116,569)
Earnings on investments	27,500	27,500	44,667	17,167
Rental income	10,000	10,000	-	(10,000)
Contributions and donations	500	500	-	(500)
Contract services	202,000	202,000	446,099	244,099
Other local revenues	36,000	36,000	35,458	(542)
Intergovernmental - state	979,567	979,567	1,025,791	46,224
Total revenues	16,979,000	16,979,000	17,158,879	179,879
Expenditures:				
Current:				
Instruction:				
Regular	1,056,064	1,013,075	687,308	325,767
Special	9,778,656	9,386,755	7,307,814	2,078,941
Support services:				
Pupil	7,047,033	6,759,141	5,045,441	1,713,700
Instructional staff	4,822,413	4,063,256	3,111,732	951,524
Board of education	88,607	110,000	77,539	32,461
Administration	1,013,454	847,200	662,201	184,999
Fiscal	588,454	564,500	428,268	136,232
Operations and maintenance	701,293	726,321	653,469	72,852
Central	116,857	242,583	183,745	58,838
Total expenditures	25,212,831	23,712,831	18,157,517	5,555,314
Excess of expenditures over revenues	(8,233,831)	(6,733,831)	(998,638)	5,735,193
Other financing sources (uses):				
Refund of prior year's expenditures	150,000	150,000	149,697	(303)
Transfers (out)	-	(1,500,000)	(1,500,000)	-
Total other financing sources (uses)	150,000	(1,350,000)	(1,350,303)	(303)
Net change in fund balance	(8,083,831)	(8,083,831)	(2,348,941)	5,734,890
Fund balance at beginning of year	7,883,270	7,883,270	7,883,270	-
Prior year encumbrances appropriated	200,561	200,561	200,561	-
Fund balance at end of year	$ -	$ -	$ 5,734,890	$ 5,734,890

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - BUDGETARY PROCESS

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General fund
Budget basis	$ (2,348,941)
Net adjustment for revenue accruals	52,476
Net adjustment for expenditure accruals	220,076
Net adjustment for other sources and uses	(149,697)
Funds budgeted elsewhere	(25,187)
Adjustment for encumbrances	168,471
GAAP basis	$ (2,082,802)

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

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

North Point Educational Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Point Educational Service Center, Erie County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the North Point Educational Service Center's basic financial statements and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 13, 2018

OHIO AUDITOR OF STATE
KEITH FABER

NORTH POINT EDUCATIONAL SERVICE CENTER

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 21, 2019