NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	18
Statement of Fiduciary Assets and Liabilities – Agency Fund	19
Notes to the Basic Financial Statements	21
Required Supplemental Information:	
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio – Last Six Fiscal Years	58
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio – Last Six Fiscal Years	60
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability – School Employees Retirement System of Ohio – Last Three Fiscal Years	62
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) – State Teachers Retirement System of Ohio – Last Three Fiscal Years	63
Schedule of the Educational Service Center's Contributions – School Employees Retirement System of Ohio – Last Ten Fiscal Years	64

NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY

TABLE OF CONTENTS
(CONTINUED)

TITLE	PAGE
Schedule of the Educational Service Center's Contributions – State Teachers Retirement System of Ohio – Last Ten Fiscal Years	66
Notes to the Required Supplementary Information	68
Supplemental Section:	
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual	
General Fund	72
Title IV-B Fund	73
Notes to the Supplemental Section	74
Schedule of Expenditures of Federal Awards	77
Notes to the Schedule of Expenditures of Federal Awards	78
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	79
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Matters Required by the Uniform Guidance	81
Schedule of Findings	83
Corrective Action Plan	85

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Northwest Ohio Educational Service Center
Fulton County
205 Nolan Parkway
Archbold, Ohio 43502-8404

To the Board of Education:

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 Northwest Ohio Educational Service Center, Fulton County, Ohio (the Center), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

The Center has suffered recurring losses from operations and has a net deficiency of $322,298 in the General Fund as of June 30, 2019. Based solely on inquiries and scanning of unaudited fund cash balances as of March 12, 2020, the Center may require additional revenue or cost-cutting measures to continue paying its obligations when due. The notes to the financial statements do not disclose this matter; however this does not affect our opinion on these financial statements.

Required Supplementary Information

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

Supplementary and Other Information

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

The schedule of revenues, expenditures, and changes in fund balance – budget and actual for the General and Title VI-B funds present additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2020

This page intentionally left blank.

The discussion and analysis of Northwest Ohio Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Highlights for fiscal year 2019 are as follows:

> There was an increase in net position for fiscal year 2019 of $2,185,785. This increase was primarily due to the reduction in the net pension/OPEB liability.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Northwest Ohio Educational Service Center as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for spending in the near future. The fund financial statements also look at the Educational Service Center's most significant funds, with all other nonmajor funds presented in total in a single column. For Northwest Ohio Educational Service Center, the General Fund and the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) special revenue fund are the most significant funds.

Reporting the Educational Service Center as a Whole

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2019. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Educational Service Center's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Educational Service Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the Educational Service Center's activities are reported as governmental activities, including instruction, support services, non-instructional services, and intergovernmental activities.

Reporting the Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) special revenue fund.

Governmental Funds - All of the Educational Service Center's activities are reported in governmental funds which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Educational Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Educational Service Center's programs. These funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2019 and fiscal year 2018.

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	$2,812,410	$3,014,007	($201,597)
Net OPEB Asset	1,150,102	0	1,150,102
Capital Assets, Net	5,416,687	5,568,648	(151,961)
Total Assets	9,379,199	8,582,655	796,544
Deferred Outflows of Resources			
Pension	5,877,912	6,879,425	(1,001,513)
OPEB	386,841	292,435	94,406
Total Deferred Outflows of Resources	6,264,753	7,171,860	(907,107)

(continued)

Table 1
Net Position
(continued)

	Governmental Activities		
	2019	2018	Change
Liabilities			
Current and Other Liabilities	$2,843,006	$2,633,407	($209,599)
Long-Term Liabilities			
Pension	22,937,233	24,175,468	1,238,235
OPEB	3,539,255	6,180,423	2,641,168
Other Amounts	1,012,245	955,201	(57,044)
Total Liabilities	30,331,739	33,944,499	3,612,760
Deferred Inflows of Resources			
Pension	2,175,430	2,336,884	161,454
OPEB	2,150,857	672,991	(1,477,866)
Total Deferred Inflows of Resources	4,326,287	3,009,875	(1,316,412)
Net Position			
Net Investment in Capital Assets	5,416,687	5,568,648	(151,961)
Restricted	300,453	214,883	85,570
Unrestricted (Deficit)	(24,731,214)	(26,983,390)	2,252,176
Total Net Position (Deficit)	($19,014,074)	($21,199,859)	$2,185,785

The net pension liability and net OPEB liability (asset) reported by the Educational Service Center at June 30, 2019, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the Educational Service Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the Educational Service Center's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

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

In accordance with GASB Statements No. 68 and No. 75, the Educational Service Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows. The increase in the net pension asset and decrease in the net pension/OPEB liability represents the Educational Service Center's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

The decrease in current and other assets is primarily due to a decrease in cash and cash equivalents due to deficit spending (primarily in the General Fund). The decrease in net capital assets and the investment in capital assets is due to annual depreciation. The increase in current and other liabilities was due to a combination of factors; an increase in accrued wages (based on the timing of pay periods), and increase in accounts payable (also based on timing), and an increase in the intergovernmental payable (due to an increase in the surcharge amount and pension related amounts due at fiscal year end).

Table 2 reflects the change in net position for fiscal year 2019 and fiscal year 2018.

Table 2
Change in Net Position

	Governmental Activities		
	2019	2018	Change
Revenues:			
Program Revenues			
Charges for Services	$16,354,321	$15,996,018	$358,303
Operating Grants and Contributions	4,302,377	4,163,646	138,731
Total Program Revenues	20,656,698	20,159,664	497,034
General Revenues			
Grants and Entitlements	604,368	610,396	(6,028)
Interest	37,962	14,923	23,039
Rent	7,674	7,674	0
Miscellaneous	124,826	61,346	63,480
Total General Revenues	774,830	694,339	80,491
Total Revenues	21,431,528	20,854,003	577,525
Expenses:			
Instruction:			
Regular	1,152,269	893,160	(259,109)
Special	6,750,774	4,420,074	(2,330,700)
Support Services:			
Pupils	3,995,684	1,737,742	(2,257,942)
Instructional Staff	2,668,694	1,507,663	(1,161,031)
Board of Education	89,466	87,475	(1,991)
Administration	483,924	149,846	(334,078)
Fiscal	666,815	605,533	(61,282)
Business	14,827	12,873	(1,954)
Operation and Maintenance of Plant	557,964	508,136	(49,828)
Pupil Transportation	144,639	176,653	32,014
Central	310,042	255,919	(54,123)
Non-Instructional Services	49,110	61,836	12,726
Intergovernmental	2,361,535	2,379,735	18,200
Total Expenses	19,245,743	12,796,645	(6,449,098)
Increase in Net Position	2,185,785	8,057,358	(5,871,573)
Net Position (Deficit) at Beginning of Year	(21,199,859)	(29,257,217)	8,057,358
Net Position (Deficit) at End of Year	($19,014,074)	($21,199,859)	$2,185,785

Program revenues were 96 percent of total revenues for fiscal year 2019 (97 percent for fiscal year 2018) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 76 percent of total revenues. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to seventeen local, three exempted village, and three city school districts in Northwest Ohio, as well as some services to various other area school districts. Total revenues increased approximately 3 due primarily to an increase in tuition and fees and grant funding.

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget and dependent on the level of services requested by those school districts which vary from year to year. The increase in expenses from the prior fiscal year is primarily due to the increase in pension expense.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the costs of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction:				
Regular	$1,152,269	$893,160	($1,168,315)	($2,446,048)
Special	6,750,774	4,420,074	(2,960,312)	(4,266,517)
Support Services:				
Pupils	3,995,684	1,737,742	(1,318,750)	(3,106,619)
Instructional Staff	2,668,694	1,507,663	2,055,171	1,070,672
Board of Education	89,466	87,475	89,466	87,475
Administration	483,924	149,846	483,924	149,846
Fiscal	666,815	605,533	486,936	338,751
Business	14,827	12,873	14,827	12,873
Operation and Maintenance of Plant	557,964	508,136	459,084	409,256
Pupil Transportation	144,639	176,653	144,639	176,653
Central	310,042	255,919	259,130	139,941
Non-Instructional Services	49,110	61,836	47,327	56,198
Intergovernmental	2,361,535	2,379,735	(4,082)	14,500
Total Expenses	$19,245,743	$12,796,645	($1,410,955)	($7,363,019)

Expenses for certain staff such as special education supervisors, general education consultants, and gifted education coordinators, and others are included in the instructional staff support services program. In contrast, instructional programs are charged to school districts and recorded by the Educational Service Center as charges for services revenue for activities related to regular and special instruction. Therefore, the instruction programs appear to be over funded while the instructional staff support services program seems to be under funded. Some expenses within the pupils support services program are also charged to school districts with the revenue recorded by the Educational Service Center as charges for services for activities related to special instruction. The significant change from the prior fiscal year was due to pension expense as previously mentioned.

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance decreased in the General Fund resulting in a deficit fund balance as of fiscal year end. Revenue increased approximately 7 percent primarily from tuition and fees. Expenditures increased approximately 4 percent; however, expenditures were greater than revenues for the fiscal year.

There was a slight decrease in fund balance in the Title VI-B (Individual Disabilities Education Act Grant (IDEA-B)) Fund resulting in a small deficit fund balance at fiscal year end.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2019, the Educational Service Center had $5,416,687 invested in capital assets (net of accumulated depreciation). Additions consisted of a vehicle and there were not disposals. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

The Educational Service Center's long-term obligations consist of the net pension/OPEB liabilities and compensated absences. For further information regarding the Educational Service Center's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

For fiscal year 2019, State funding for educational service centers was established at $24 per student which was under the State appropriation. All educational service centers were given the opportunity to apply for a high performing designation which would result in an additional $2 per student in funding for the second consecutive year. All educational service centers applied for the high performing designation and all were awarded the additional funding. This funding was awarded in full as the total State appropriation contained enough funds for the awards. The high performing designation will continue to be a part of the Educational Service Center funding for fiscal year 2020.

Costs for services will increase with staff moving up the salary schedules. Increased insurance premiums will also cause costs to rise as the Educational Service Center tries to maintain quality services with quality personnel. Retirements of veteran staff will mitigate some of those increases as less experienced staff are hired as replacements. For fiscal year 2019, a base salary increase of 2.2 percent was made to all salary schedules. In addition, step increases for qualifying staff and grade adjustments for specific positions were approved by the governing board. Some staff members are paid above the top stop of the schedules and continue to have their current rate of pay frozen until the schedule catches up with their rate. Additionally, educational programming expenses associated with services to this student population continue to increase. Extended service days and hours per day for staff have been reduced where possible to help mitigate increases. Some positions are not being filled as vacancies occur.

Since the Educational Service Center charges school districts for services based on costs, charges for services will modestly increase in fiscal year 2020. School districts continue to look for ways to cut expenses including services they receive from the Educational Service Center as their operational costs increase. Since the majority of services provided are mandated, school districts can look at providing the services themselves if they believe they have the capacity to provide the services themselves at a lower cost or with staff that would otherwise have been cut at their school districts to reduce overall costs.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Homer B. Hendricks, Chief Financial Officer, Northwest Ohio Educational Service Center, 205 Nolan Parkway, Archbold, OH 43502-0250.

Northwest Ohio Educational Service Center
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$2,378,096
Accounts Receivable	3,834
Accrued Interest Receivable	1,912
Intergovernmental Receivable	394,200
Prepaid Items	25,362
Materials and Supplies Inventory	9,006
Net OPEB Asset	1,150,102
Nondepreciable Capital Assets	215,200
Depreciable Capital Assets, Net	5,201,487
Total Assets	9,379,199
Deferred Outflows of Resources:	
Pension	5,877,912
OPEB	386,841
Total Deferred Outflows of Resources	6,264,753
Liabilities:	
Accounts Payable	124,249
Accrued Wages and Benefits Payable	2,243,524
Matured Compensated Absences Payable	23,339
Intergovernmental Payable	451,894
Long-Term Liabilities:	
Due Within One Year	95,932
Due in More Than One Year	
Other Amounts Due in More Than One Year	916,313
Net Pension Liability	22,937,233
Net OPEB Liability	3,539,255
Total Liabilities	30,331,739
Deferred Inflows of Resources:	
Pension	2,175,430
OPEB	2,150,857
Total Deferred Inflows of Resources	4,326,287
Net Position:	
Net Investment in Capital Assets	5,416,687
Restricted For:	
Capital Projects	200,476
Other Purposes	99,977
Unrestricted (Deficit)	(24,731,214)
Total Net Position (Deficit)	($19,014,074)

See Accompanying Notes to Basic Financial Statements

Northwest Ohio Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$1,152,269	$1,401,664	$918,920	$1,168,315
Special	6,750,774	8,774,320	936,766	2,960,312
Support Services:				
Pupils	3,995,684	5,262,413	52,021	1,318,750
Instructional Staff	2,668,694	596,453	17,070	(2,055,171)
Board of Education	89,466	0	0	(89,466)
Administration	483,924	0	0	(483,924)
Fiscal	666,815	179,879	0	(486,936)
Business	14,827	0	0	(14,827)
Operation and Maintenance of Plant	557,964	98,880	0	(459,084)
Pupil Transportation	144,639	0	0	(144,639)
Central	310,042	40,712	10,200	(259,130)
Non-Instructional Services	49,110	0	1,783	(47,327)
Intergovernmental	2,361,535	0	2,365,617	4,082
Total Governmental Activities	$19,245,743	$16,354,321	$4,302,377	1,410,955

General Revenues:	
Grants and Entitlements not Restricted to Specific Programs	604,368
Interest	37,962
Rent	7,674
Miscellaneous	124,826
Total General Revenues	774,830
Change in Net Position	2,185,785
Net Position (Deficit) at Beginning of Year	(21,199,859)
Net Position (Deficit) at End of Year	($19,014,074)

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2019

	General	Title VI-B	Other Governmental	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$2,133,677	$46	$244,373	$2,378,096
Accounts Receivable	3,834	0	0	3,834
Accrued Interest Receivable	1,912	0	0	1,912
Intergovernmental Receivable	192,691	3,073	198,436	394,200
Interfund Receivable	28,283	0	0	28,283
Prepaid Items	24,062	0	1,300	25,362
Materials and Supplies Inventory	9,006	0	0	9,006
Total Assets	$2,393,465	$3,119	$444,109	$2,840,693
Liabilities:				
Accounts Payable	$95,832	$0	$28,417	$124,249
Accrued Wages and Benefits Payable	2,168,270	46	75,208	2,243,524
Matured Compensated Absences Payable	23,339	0	0	23,339
Intergovernmental Payable	427,787	0	24,107	451,894
Interfund Payable	0	3,073	25,210	28,283
Total Liabilities	2,715,228	3,119	152,942	2,871,289
Deferred Inflows of Resources:				
Unavailable Revenue	535	3,073	65,212	68,820
Fund Balances:				
Nonspendable	33,068	0	1,300	34,368
Restricted	0	0	270,591	270,591
Unassigned (Deficit)	(355,366)	(3,073)	(45,936)	(404,375)
Total Fund Balances (Deficit)	(322,298)	(3,073)	225,955	(99,416)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$2,393,465	$3,119	$444,109	$2,840,693

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		($99,416)
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,416,687
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accrued Interest Receivable	535	
Intergovernmental Receivable	68,285	
		68,820
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences Payable		(1,012,245)
The net OPEB asset, net pension liability, and net OPEB liability are not due and payable in the current period, therefore, the asset, liability and related deferred outflows/inflows are not reported in the governmental funds.		
Net OPEB Asset	1,150,102	
Deferred Outflows - Pension	5,877,912	
Deferred Inflows - Pension	(2,175,430)	
Net Pension Liability	(22,937,233)	
Deferred Outflows - OPEB	386,841	
Deferred Inflows - OPEB	(2,150,857)	
Net OPEB Liability	(3,539,255)	
		(23,387,920)
Net Position of Governmental Activities		($19,014,074)

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Title VI-B	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental	$638,508	$2,199,480	$1,990,667	$4,828,655
Interest	37,962	0	0	37,962
Tuition and Fees	17,325,466	0	0	17,325,466
Customer Services	1,325,415	0	0	1,325,415
Rent	7,674	0	0	7,674
Gifts and Donations	12,768	0	1,783	14,551
Miscellaneous	124,576	0	250	124,826
Total Revenues	19,472,369	2,199,480	1,992,700	23,664,549
Expenditures:				
Current:				
Instruction:				
Regular	1,055,016	0	245,110	1,300,126
Special	9,543,164	0	533,277	10,076,441
Support Services:				
Pupils	4,724,200	0	179,597	4,903,797
Instructional Staff	2,385,365	0	681,972	3,067,337
Board of Education	89,526	0	0	89,526
Administration	620,081	0	0	620,081
Fiscal	605,651	0	61,752	667,403
Business	12,504	0	0	12,504
Operation and Maintenance of Plant	519,045	0	21,133	540,178
Pupil Transportation	115,070	0	30,633	145,703
Central	273,480	0	8,809	282,289
Non-Instructional Services	36,100	0	17,798	53,898
Capital Outlay	18,466	0	0	18,466
Intergovernmental	0	2,205,934	155,601	2,361,535
Total Expenditures	19,997,668	2,205,934	1,935,682	24,139,284
Changes in Fund Balances	(525,299)	(6,454)	57,018	(474,735)
Fund Balances at Beginning of Year	203,001	3,381	168,937	375,319
Fund Balances (Deficit) at End of Year	($322,298)	($3,073)	$225,955	($99,416)

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2019

Changes in Fund Balances - Total Governmental Funds		($474,735)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.		
Capital Outlay - Depreciable Capital Assets	27,853	
Depreciation	(179,814)	(151,961)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Intergovernmental		63,539
Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(57,044)
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	(1,415,540)	
OPEB	2,305,747	
		890,207
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,813,716	
OPEB	102,063	
		1,915,779
Change in Net Position of Governmental Activities		$2,185,785

See Accompanying Notes to the Basic Financial Statements

Northwest Ohio Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2019

Assets:	
Equity in Pooled Cash and Cash Equivalents	$103,236
Liabilities:	
Undistributed Assets	$103,236

See Accompanying Notes to the Basic Financial Statements

This page is intentionally left blank.

Note 1 - Reporting Entity

Northwest Ohio Educational Service Center (the "Educational Service Center") is located in Archbold, Ohio, in Fulton County. The Educational Service Center supplies supervisory, special education, administrative, and other services to seventeen local, three exempted village, and three city school districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Governing Board elected from subdistricts within the four county area (Defiance, Fulton, Henry, and Williams counties). The Board consists of nine members elected for staggered four year terms. The Educational Service Center has eighteen administrators, two hundred forty-eight classified employees, and one hundred forty-four certified employees who provide services to the local, exempted village, and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Northwest Ohio Educational Service Center, this consists of general operations.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Educational Service Center. There are no component units of the Northwest Ohio Educational Service Center.

The Educational Service Center participates in three jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Ohio School Plan, the Northern Buckeye Health Plan, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Northwest Ohio Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Educational Service Center's accounting policies.

A. Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Educational Service Center that are governmental activities (primarily supported by intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the Educational Service Center has no business-type activities.

The statement of net position presents the financial condition of the government activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Educational Service Center are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The Educational Service Center's major funds are the General Fund and the Title VI-B special revenue fund.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Educational Service Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Title VI-B Fund - The Title VI-B Fund is used to account for grant resources received through the Ohio Department of Education and restricted to providing support for educating handicapped students. Some of these resources are also passed through or spent on behalf of the local, exempted village, and city school districts served by the Educational Service Center.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center did not have any trust funds in fiscal year 2019. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's agency fund accounts for various payroll related deductions.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

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 and the fiduciary fund uses the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Note 2 - Summary of Significant Accounting Policies (continued)

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: grants, interest, tuition, fees, customer services, and rent.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB, and explained in Notes 12 and 13 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 until that time. For the Educational Service Center, deferred inflows of resources consists of unavailable revenue, pension, and OPEB. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes accrued interest and intergovernmental revenue including grants. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 16. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 12 and 13 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2019, investments included mutual funds, federal agency securities, and STAR Ohio. Investments are reported at fair value or amortized cost. Fair value is based on quoted market price or current share price. STAR 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 Educational Service Center measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

The Educational Service Center allocates interest according to State statues. Interest revenue credited to the General Fund during fiscal year 2019 was $37,962, which includes $31,756 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Inventory

Inventory is stated at cost on a first-in first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Note 2 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

All of the Educational Service Center's capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The Educational Service Center maintains a capitalization threshold of two thousand five hundred dollars. The Educational Service Center does not have any infrastructure. Improvements are capitalized.

All 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	Useful Lives
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	8 years

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees who have ten or more years of service with the Educational Service Center.

Note 2 - Summary of Significant Accounting Policies (continued)

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position generally represents federal and state grants. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education 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 classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education has also assigned fund balance for building maintenance.

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 used only to report a deficit balance.

The Educational Service Center first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

N. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2019, these funds included the Title VI-B (Individual Disabilities Education Act), Early Childhood Special Education, and Limited English Proficiency special revenue funds.

O. Pensions/Other Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

Note 2 - Summary of Significant Accounting Policies (continued)

P. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2019, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 88, "Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements" and Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period".

GASB Statement No. 88 improves the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the Educational Service Center's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the Educational Service Center's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2019, the Educational Service Center also implemented GASB Implementation Guide No. 2017-2. These changes were incorporated in the Educational Service Center's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2019, the General Fund, and Title VI-B, Limited English Proficiency, and Miscellaneous Federal Grants special revenue funds had deficit fund balances of $322,298, $3,073, $859, and $44,881, respectively, resulting from adjustments for accrued liabilities.

Note 5 - Deposits and Investments

Monies held by the Educational Service Center are classified by State statute into three categories.

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

Note 5 - Deposits and Investments (continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

Interim monies held by the Educational Service Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

Note 5 - Deposits and Investments (continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Educational Service Center Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

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

Measurement/Investment	Fair Value	Maturity
Fair Value- Level 1 Inputs		
Mutual Funds	$120,566	24 days average
Fair Value- Level 2 Inputs		
Federal National Mortgage Association Notes	119,542	12/30/19
Federal National Mortgage Association Notes	54,632	7/27/20
Federal National Mortgage Association Notes	54,671	8/28/20
Federal National Mortgage Association Notes	119,532	9/30/20
Federal Home Loan Bank Notes	104,543	6/14/21
Net Value per Share		
STAR Ohio	1,018,917	53.3 days average
Total Investments	$1,592,403	

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Educational Service Center's recurring fair value measurements as of June 30, 2019. The Educational Service Center's investment in mutual funds measured at fair value is valued using quoted market prices (Level 1 inputs). The Educational Service Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Note 5 - Deposits and Investments (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the Educational Service Center.

All of the federal agency securities and mutual funds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The Educational Service Center has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The Educational Service Center limits the amount it may invest in any one issuer to no more than 80 percent of its total investment portfolio. The following table indicates the percentage of investments to the Educational Service Center's total portfolio:

	Fair Value	Percentage of Portfolio
Federal National Mortgage Association	$348,377	21.9%
Federal Home Loan Bank	104,543	6.6

Note 6 - State Funding

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's school districts based on each school district's total student count. The State Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Educational Service Center also receives funding from the State Department of Education, in the amount of $26 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the Educational Service Center an amount equal to $6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

Note 6 - State Funding (continued)

The Educational Service Center may contract with local, city, exempted village, joint vocational, or cooperative education school districts to provide special education and related services or career-technical education services. The individual boards of education pay the costs for these services directly to the Educational Service Center.

Note 7 - Receivables

Receivables at June 30, 2019, consisted of accounts, accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Funds	
General Fund	
Program Costs	$18,984
Various School Districts	127,900
Miscellaneous	45,807
Total General Fund	192,691
Title VI-B	3,073
Total Major Funds	195,764
Other Governmental Funds	
Miscellaneous State Grants	699
Migrant and OMEC	163,371
Limited English Proficiency	10,756
Miscellaneous Federal Grants	23,610
Total Other Governmental Funds	198,436
Total Intergovernmental Receivables	$394,200

Note 8 - Capital Assets

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

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19
Governmental Activities				
Nondepreciable Capital Assets				
Land	$215,200	$0	$0	$215,200

(continued)

Note 8 - Capital Assets (continued)

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19
Governmental Activities (continued)				
Depreciable Capital Assets				
Land Improvements	$39,404	$0	$0	$39,404
Buildings and Building Improvements	6,294,925	0	0	6,294,925
Furniture, Fixtures, and Equipment	598,175	0	0	598,175
Vehicles	207,459	27,853	0	235,312
Total Depreciable Capital Assets	7,139,963	27,853	0	7,167,816
Less Accumulated Depreciation				
Land Improvements	(26,179)	(1,970)	0	(28,149)
Buildings and Building Improvements	(1,184,688)	(135,233)	0	(1,319,921)
Furniture, Fixtures, and Equipment	(410,086)	(33,789)	0	(443,875)
Vehicles	(165,562)	(8,822)	0	(174,384)
Total Accumulated Depreciation	(1,786,515)	(179,814)	0	(1,966,329)
Depreciable Capital Assets, Net	5,353,448	(151,961)	0	5,201,487
Governmental Activities Capital Assets, Net	$5,568,648	($151,961)	$0	$5,416,687

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$12,661
Support Services:	
Pupils	22,601
Instructional Staff	38,377
Board of Education	185
Administration	15,448
Fiscal	7,008
Business	2,323
Operation and Maintenance of Plant	20,603
Central	60,608
Total Depreciation Expense	$179,814

Note 9 - Interfund Assets/Liabilities

At June 30, 2019, the General Fund had an interfund receivable from the Title VI-B special revenue fund and other governmental funds for short-term loans made to those funds, in the amount of $3,073 and $25,210, respectively

.

Note 10 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the Educational Service Center contracted for the following insurance coverage.

Coverage provided by Ohio School Plan:	
General Liability	
Per Occurrence	$6,000,000
Total per Year	8,000,000
Auto Coverage	
Liability	6,000,000
Uninsured Motorist	1,000,000
Commercial Property	15,614,205

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

For fiscal year 2019, the Educational Service Center participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The Educational Service Center participates in the Northern Buckeye Health Plan (Plan), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Educational Service Center pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Plan. The agreement for the Plan provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Plan, a participant is responsible for any claims not processed and paid and any related administrative costs.

Note 10 - Risk Management (continued)

The Educational Service Center participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 11 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2020 are as follows:

General Fund	$332,864
Other Governmental Funds	108,348
Total	$441,212

Note 12 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

Note 12 - Defined Benefit Pension Plans (continued)

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

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

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - Educational Service Center nonteaching 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. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 12 - 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; 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; Age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $599,146 for fiscal year 2019. Of this amount, $82,804 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Educational Service Center licensed teachers and other certified 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 publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

Note 12 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-seven years of service credit, or thirty years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.53 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty or later.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

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

Note 12 - Defined Benefit Pension Plans (continued)

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

The Educational Service Center's contractually required contributions to STRS was $1,214,570 for fiscal year 2019. Of this amount, $168,158 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.12700180%	0.06982631%	
Proportion of the Net Pension Liability Current Measurement Date	0.12571570%	0.07157285%	
Change in Proportionate Share	0.00128610%	0.00174654%	
Proportionate Share of the Net Pension Liability	$7,199,970	$15,737,263	$22,937,233
Pension Expense	$395,031	$1,020,509	$1,415,540

At June 30, 2019, the Educational Service Center 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	$394,873	$363,264	$758,137
Changes of Assumptions	162,591	2,788,939	2,951,530
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	59,409	295,120	354,529
Educational Service Center Contributions Subsequent to the Measurement Date	599,146	1,214,570	1,813,716
Total Deferred Outflows of Resources	$1,216,019	$4,661,893	$5,877,912

Note 12 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$0	$102,774	$102,774
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	199,489	954,290	1,153,779
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	142,663	776,214	918,877
Total Deferred Inflows of Resources	$342,152	$1,833,278	$2,175,430

$1,813,716 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2020	$432,772	$858,486	$1,291,258
2021	139,413	726,155	865,568
2022	(236,284)	170,066	(66,218)
2023	(61,180)	(140,662)	(201,842)
Total	$274,721	$1,614,045	$1,888,766

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

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

Note 12 - Defined Benefit Pension Plans (continued)

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

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

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Note 12 - Defined Benefit Pension Plans (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.5 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 Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$10,141,702	$7,199,970	$4,733,526

Actuarial Assumptions - STRS

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

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Note 12 - Defined Benefit Pension Plans (continued)

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Note 12 - Defined Benefit Pension Plans (continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$22,982,201	$15,737,263	$9,605,406

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2019, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

See Note 12 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The Educational Service Center contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 13 - Postemployment Benefits (continued)

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). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2019, the Educational Service Center's surcharge obligation was $79,872.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was $102,063 for fiscal year 2019. Of this amount, $82,939 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to postemployment health care.

Note 13 - Postemployment Benefits (continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	.12877780%	.06982631%	
Proportion of the Net OPEB Liability Current Measurement Date	.12757430%	.07157285%	
Change in Proportionate Share	.00120350%	.00174654%	
Proportionate Share of the			
Net OPEB Liability	$3,539,255	$0	$3,539,255
Net OPEB Asset	$0	$1,150,102	$1,150,102
OPEB Expense	$176,686	($2,482,433)	($2,305,747)

At June 30, 2019, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$57,773	$134,334	$192,107
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	21,742	70,929	92,671
Educational Service Center Contributions Subsequent to the Measurement Date	102,063	0	102,063
Total Deferred Outflows of Resources	$181,578	$205,263	$386,841
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$0	$67,009	$67,009
Changes of Assumptions	317,975	1,567,106	1,885,081
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5,310	131,389	136,699
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	62,068	0	62,068
Total Deferred Inflows of Resources	$385,353	$1,765,504	$2,150,857

Note 13 - Postemployment Benefits (continued)

$102,063 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2020	($128,529)	($279,931)	($408,460)
2021	(103,241)	(279,931)	(383,172)
2022	(23,166)	(279,931)	(303,097)
2023	(20,906)	(250,092)	(270,998)
2024	(21,274)	(239,622)	(260,896)
2025	(8,722)	(230,734)	(239,456)
Total	($305,838)	($1,560,241)	($1,866,079)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74 as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modification 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.

Note 13 - Postemployment Benefits (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.7 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates, set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Note 13 - Postemployment Benefits (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.7 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.7 percent) or one percentage point higher (4.7 percent) than the current discount rate (3.7 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25 percent decreasing to 3.75 percent) and one percentage point higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.7%)	Current Discount Rate (3.7%)	1% Increase (4.7%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$4,294,609	$3,539,255	$2,941,158

	1% Decrease (6.25% Decreasing to 3.75%)	Current Trend Rate (7.25% Decreasing to 4.75%)	1% Increase (8.25% Decreasing to 5.75%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$2,855,530	$3,539,255	$4,444,631

Note 13 - Postemployment Benefits (continued)

Actuarial Assumptions - STRS

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

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled be discontinued beginning January 1, 2020. However, in June 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

Note 13 - Postemployment Benefits (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

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

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's Proportionate Share of the Net OPEB Asset	$985,746	$1,150,102	$1,288,237

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB Asset	$1,280,439	$1,150,102	$1,017,736

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from Board policy and State laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees, the superintendent, and directors upon termination of employment. Teachers do not earn vacation time.

Note 14 - Other Employee Benefits (continued)

Teachers, the superintendent, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty-five days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-six and one-fourth days for all employees.

B. Health Care Benefits

The Educational Service Center participates in the Northern Buckeye Health Plan. Through this program, the Educational Service Center offers medical and dental insurance benefits. The Educational Service Center provides life insurance through American United Life Insurance Group. Depending upon the coverage selected, the employees share the cost of the monthly premium with the Board.

Note 15 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2019 were as follows:

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19	Amounts Due Within One Year
Governmental Activities					
Net Pension Liability					
SERS	$7,588,078	$0	$388,108	$7,199,970	$0
STRS	16,587,390	0	850,127	15,737,263	0
Total Net Pension Liability	24,175,468	0	1,238,235	22,937,233	0
Net OPEB Liability					
SERS	3,456,058	83,197	0	3,539,255	0
STRS	2,724,365	0	2,724,365	0	0
Total OPEB Liability	6,180,423	83,197	2,724,365	3,539,255	0
Compensated Absences Payable	955,201	80,667	23,623	1,012,245	95,932
Total Governmental Activities	$31,311,092	$163,864	$3,986,223	$27,488,733	$95,932

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund and the Title VI-B, Public Preschool, Miscellaneous State Grants, Migrant and OMEC, Limited English Proficiency, Early Childhood Special Education, and Miscellaneous Federal Grants special revenue funds. For additional information related to the net pension/OPEB liability, see Notes 12 and 13 to the basic financial statements.

Compensated absences will be paid from the General Fund and the Migrant and OMEC special revenue funds.

Note 16 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Title VI-B	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	$24,062	$0	$1,300	$25,362
Materials and Supplies Inventory	9,006	0	0	9,006
Total Nonspendable	33,068	0	1,300	34,368
Restricted for:				
Migrant Education	0	0	64,668	64,668
Non-Instructional Services	0	0	4,807	4,807
Permanent Improvements	0	0	200,476	200,476
Support Services: Pupils	0	0	640	640
Total Restricted	0	0	270,591	270,591
Unassigned (Deficit)	(355,366)	(3,073)	(45,936)	(404,375)
Total Fund Balance (Deficit)	($322,298)	($3,073)	$225,955	($99,416)

Note 17 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The Educational Service Center is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2019, the Educational Service Center paid $56,092 to NWOCA for various services. Financial information can be obtained from NWOCA, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 17 - Jointly Governed Organizations (continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The degree of control exercised by the Educational Service Center is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

Note 18 - Insurance Pools

A. Ohio School Plan

The Educational Service Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc.

B. Northern Buckeye Health Plan

The Northern Buckeye Health Plan (Plan), is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Plan is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

Note 18 - Insurance Pools (continued)

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Notes 19 - Contingencies

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2019.

B. Litigation

The Educational Service Center is party to legal proceedings seeking damages or injunctive relief generally incidental to operations. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of the Educational Service Center, have a material adverse effect on the financial statements.

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

	2019	2018	2017	2016
Educational Service Center's Proportion of the Net Pension Liability	0.12571570%	0.12700180%	0.12501170%	0.13354120%
Educational Service Center's Proportionate Share of the Net Pension Liability	$7,199,970	$7,588,078	$9,149,703	$7,619,990
Educational Service Center's Employee Payroll	$4,313,037	$4,061,321	$3,903,329	$4,058,536
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	166.94%	186.84%	234.41%	187.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

Amounts presented as of the measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2015	2014
0.13811600%	0.13811600%
$6,989,972	$8,213,315
$3,991,588	$4,407,519
175.12%	186.35%
71.70%	65.52%

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

	2019	2018	2017	2016
Educational Service Center's Proportion of the Net Pension Liability	0.07157285%	0.06982631%	0.06959882%	0.07361897%
Educational Service Center's Proportionate Share of the Net Pension Liability	$15,737,263	$16,587,390	$23,296,823	$20,346,130
Educational Service Center's Employee Payroll	$8,298,921	$7,725,279	$7,280,829	$7,663,879
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	189.63%	214.72%	319.97%	265.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

Amounts presented as of the measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2015	2014
0.07897801%	0.07897801%
$19,210,186	$22,883,047
$7,894,608	$9,338,046
243.33%	245.05%
74.70%	69.30%

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

	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.01275743%	0.12877780%	0.12665720%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$3,539,255	$3,456,058	$3,610,199
Educational Service Center's Employee Payroll	$4,313,037	$4,061,321	$3,903,329
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	82.06%	85.10%	92.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

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

	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.71572850%	0.06982631%	0.06959882%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	($1,150,102)	$2,724,365	$3,722,163
Educational Service Center's Employee Payroll	$8,298,921	$7,725,279	$7,280,829
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-13.86%	35.27%	51.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

Northwest Ohio Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	$599,146	$582,260	$568,585	$546,466
Contributions in Relation to the Contractually Required Contribution	(599,146)	(582,260)	(568,585)	(546,466)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll (1)	$4,438,119	$4,313,037	$4,061,321	$3,903,329
Contributions as a Percentage of Employee Payroll	13.50%	13.50%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	$102,063	$90,645	$69,726	$63,967
Contributions in Relation to the Contractually Required Contribution	(102,063)	(90,645)	(69,726)	(63,967)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	2.30%	2.10%	1.72%	1.64%
Total Contributions as a Percentage of Employee Payroll (2)	15.80%	15.60%	15.72%	15.64%

(1) The Educational Service Center's covered payroll is the same for Pension and OPEB
(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

2015	2014	2013	2012	2011	2010
$534,915	$553,234	$610,001	$635,841	$598,544	$614,477
(534,915)	(553,234)	(610,001)	(635,841)	(598,544)	(614,477)
$0	$0	$0	$0	$0	$0
$4,058,536	$3,991,588	$4,407,519	$4,727,441	$4,761,685	$4,538,232
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
$103,196	$75,850	$83,418	$96,549	$139,303	$89,504
(103,196)	(75,850)	(83,418)	(96,549)	(139,303)	(89,504)
$0	$0	$0	$0	$0	$0
2.54%	1.90%	1.89%	2.04%	2.93%	1.97%
15.72%	15.76%	15.73%	15.49%	15.50%	15.51%

Northwest Ohio Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	$1,214,570	$1,161,849	$1,081,539	$1,019,316
Contributions in Relation to the Contractually Required Contribution	(1,214,570)	(1,161,849)	(1,081,539)	(1,019,316)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll	$8,675,500	$8,298,921	$7,725,279	$7,280,829
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

2015	2014	2013	2012	2011	2010
$1,072,943	$1,026,299	$1,213,946	$1,283,197	$1,264,384	$1,198,542
(1,072,943)	(1,026,299)	(1,213,946)	(1,283,197)	(1,264,384)	(1,198,542)
$0	$0	$0	$0	$0	$0
$7,663,879	$7,894,608	$9,338,046	$9,870,746	$9,726,031	$9,219,554
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$0	$78,946	$93,380	$98,707	$97,260	$92,196
0	(78,946)	(93,380)	(98,707)	(97,260)	(92,196)
$0	$0	$0	$0	$0	$0
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, Including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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 commences on fifth anniversary of retirement date

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

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

Municipal Bond Index Rate	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Supplemental Section

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

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues:				
Intergovernmental			$638,508	
Interest			28,450	
Tuition and Fees			17,313,138	
Customer Services			1,402,653	
Rent			7,674	
Gifts and Donations			12,768	
Miscellaneous			76,923	
Total Revenues			19,480,114	
Expenditures:				
Current:				
Instruction:				
Regular	$578,001	$1,133,617	1,126,164	$7,453
Special	9,696,436	9,617,206	9,455,776	161,430
Support Services:				
Pupils	4,706,832	4,781,571	4,725,692	55,879
Instructional Staff	1,674,427	2,426,666	2,411,320	15,346
Board of Education	113,536	107,536	101,400	6,136
Administration	664,067	679,701	674,397	5,304
Fiscal	639,687	593,882	587,401	6,481
Business	12,500	12,504	12,504	0
Operation and Maintenance of Plant	575,139	564,614	548,131	16,483
Pupil Transportation	114,838	160,895	131,737	29,158
Central	295,830	297,211	291,016	6,195
Non-Instructional Services	5,535	48,607	37,930	10,677
Capital Outlay	648,853	648,853	19,958	628,895
Total Expenditures	19,725,681	21,072,863	20,123,426	949,437
Excess of Revenues Under Expenditures	(19,725,681)	(21,072,863)	(643,312)	20,429,551
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	5,000	42,024	42,024	0
Refund of Prior Year Receipts	(10,000)	0	0	0
Other Financing Sources	2,500	200	124	(76)
Advances In	45,134	45,134	45,134	0
Advances Out	(3,073)	(3,073)	(3,073)	0
Total Other Financing Sources (Uses)	39,561	84,285	84,209	(76)
Changes in Fund Balance	(19,686,120)	(20,988,578)	(559,103)	20,429,475
Fund Balance at Beginning of Year	2,000,575	2,000,575	2,000,575	0
Prior Year Encumbrances Appropriated	139,687	139,687	139,687	0
Fund Balance at End of Year			$1,581,159	$20,429,475

See Accompanying Notes to the Supplemental Section

Northwest Ohio Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues:				
Intergovernmental			$2,202,861	
Expenditures:				
Current:				
Instruction:				
Special	$2,195,659	$2,184,562	2,184,560	$2
Non-Instructional Services	12,154	21,374	21,374	0
Total Expenditures	2,207,813	2,205,936	2,205,934	2
Changes in Fund Balance	(2,207,813)	(2,205,936)	(3,073)	2,202,863
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance (Deficit) at End of Year			($3,073)	$2,202,863

See Accompanying Notes to the Supplemental Section

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 Educational Service Center's Board does not budget for resources estimated to be received during the fiscal year.

The Educational Service Center'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, function, and object level within the General Fund and the fund level for all other funds. The Chief Fiscal Officer has been authorized to allocate appropriations to the function and object level within all other funds.

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

Note 2 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances 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, disbursements, and encumbrances. The Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Note 2 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements are as follows:

	General	Title VI-B
GAAP Basis	($525,299)	($6,454)
Increase (Decrease) Due to:		
Revenue Accruals:		
Accrued FY 2018, Received in Cash FY 2019	283,084	3,381
Accrued FY 2019, Not Yet Received in Cash	(223,112)	0
Expenditure Accruals:		
Accrued FY 2018, Paid in Cash FY 2019	(2,453,719)	0
Accrued FY 2019, Not Yet Paid in Cash	2,715,228	46
Unrecorded Cash Activity 2018	154,108	0
Unrecorded Cash Activity 2019	(219,654)	(46)
Prepaid Items	(1,690)	0
Materials and Supplies Inventory	2,754	0
Advances In	45,134	
Advances Out	(3,073)	0
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(332,864)	0
Budget Basis	($559,103)	($3,073)

This page is intentionally left blank.

NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
FULTON COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Migrant Education State Grant Program	84.011		$ 819,689
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027		2,205,933
Special Education - Preschool Grants (IDEA, Preschool)	84.173		125,377
Total Special Education Cluster (IDEA)			2,331,310
Twenty-First Century Community Learning Centers	84.287		361,041
English Language Acquisition State Grants	84.365		24,509
Total U.S. Department of Education			**3,536,549**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Ohio Department of Mental Health and Addiction Services			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1800393	37,122
Opiod STR	93.788	1900569	30,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1900100	42,452
Total U.S. Department of Health and Human Services			**109,574**
Total Expenditures of Federal Awards			**$3,646,123**

The accompanying notes are an integral part of this schedule.

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

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

Program Title	CFDA Number	Amt. Transferred
Migrant Education State Grant Program	84.011	$ 46,628
English Language Acquisition State Grants	84.365	$ 5,143

OHIO AUDITOR OF STATE
KEITH FABER

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Northwest Ohio Educational Service Center
Fulton County
205 Nolan Parkway
Archbold, Ohio 43502-8404

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Ohio Educational Service Center, Fulton County, Ohio (the Center) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 12, 2020, wherein we noted the Center has suffered recurring losses from operations and has a net deficiency in the General Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

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

Center's Response to Finding

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the Center's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2020

OHIO AUDITOR OF STATE
KEITH FABER

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Northwest Ohio Educational Service Center
Fulton County
205 Nolan Parkway
Archbold, Ohio 43502-8404

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2020

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Center reported an assigned fund balance of $847,519 in the General Fund for outstanding encumbrances (net of payables) and building maintenance despite having an unassigned fund balance deficit of $1,202,885. However, Governmental Accounting Standards Board (GASB) Cod. 1800.175 provides that governments should not report an assignment for an amount to a specific purpose if the assignment would result in a deficit unassigned fund balance.

This error was not identified and corrected prior to the Center preparing its financial report due to deficiencies in the Center's internal controls over financial report monitoring. An adjustment was posted to the financial statements and the notes to the financial statements to correct this error.

Failing to prepare accurate financial statements could result in management making misinformed decisions. Additional errors were noted in smaller relative amounts.

To help ensure the Center's financial statements are complete and accurate the Treasurer should include all applicable transactions and disclosures in accordance with the guidance established by the Governmental Accounting Standards Board. Furthermore, the Center should adopt policies and procedures, including a final review of the statements by the Treasurer, to help identify and correct errors and omissions.

Officials' Response:

See corrective action plan.

3. FINDINGS FOR FEDERAL AWARDS

None.

NORTHWEST OHIO
ESC
NORTHWEST OHIO EDUCATIONAL SERVICE CENTER
Providing Quality Services | Building Valued Partnerships

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Management is aware and understands the importance of the information presented on the financial statements and will ensure the fund balance classifications are properly presented.	6/30/2020	Homer Hendricks, CFO/Treasurer

205 Nolan Parkway • Archbold, OH 43502-8404 • Main Phone (567) 444-4800
Superintendent Fax (567) 444-4802 • Business Fax (567) 444-4803
Special Ed. Fax (567) 444-4804 • Curriculum/Gifted Fax (567) 444-4801

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

NORTHWEST OHIO EDUCATIONAL SERVICE CENTER

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 31, 2020