WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County Educational Service Center, Wood County, Ohio (the Center), as of and for the year ended June 30, 2018, 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 Wood County Educational Service Center, Wood County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The schedules of revenues, expenditures and changes in fund balance – budget (Non-GAAP Basis) and actual General Fund and Community Centers Grant Fund 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 February 26, 2019, 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

February 26, 2019

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The discussion and analysis of Wood County 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, 2018. 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 2018 are as follows:

> Total net position increased by $6,184,293, or 30 percent from the prior fiscal year (primarily due to the decrease in the net pension and net OPEB liabilities).

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 Wood County 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 non-major funds presented in total in a single column. For the Educational Service Center, the General Fund and the Community Centers Grant 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 2018. 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. Non-financial 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 funds are the General Fund and the Community Centers Grant 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.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2018 compared to fiscal year 2017.

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets:			
Current and Other Assets	$8,189,543	$8,097,548	$91,995
Capital Assets, Net	1,533,246	1,590,031	(56,785)
Total Assets	9,722,789	9,687,579	35,210
Deferred Outflows of Resources:			
Pension	4,818,584	4,819,971	(1,387)
OPEB	298,738	79,343	219,395
Total Deferred Outflows of Resources	5,117,322	4,899,314	218,008
Liabilities:			
Current and Other Liabilities	1,491,052	1,341,284	(149,768)
Long-Term Liabilities:			
Due Within One Year	55,135	73,932	18,797
Due in More Than One Year:			
Net Pension Liability	17,525,321	23,157,479	5,632,158
Net OPEB Liability	5,432,580	6,122,483	689,903
Other Amounts	439,736	403,876	(35,860)
Total Liabilities	24,943,824	31,099,054	6,155,230
Deferred Inflows of Resources:			
Pension	3,666,329	4,069,779	403,450
OPEB	627,605	0	(627,605)
Total Deferred Inflows of Resources	4,293,934	4,069,779	(224,155)

(continued)

Table 1
Net Position
(continued)

	Governmental Activities		
	2018	2017	Change
Net Position:			
Net Investment in Capital Assets	$1,533,246	$1,590,031	($56,785)
Restricted	3,310,587	3,612,409	(301,822)
Unrestricted (Deficit)	(19,241,480)	(25,784,380)	6,542,900
Total Net Position (Deficit)	($14,397,647)	($20,581,940)	$6,184,293

The net pension liability reported by the Educational Service Center at June 30, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For fiscal year 2018, the Educational Service Center adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, 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 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 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 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 the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 75, the Educational Service Center is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($14,538,800) to ($20,581,940).

Pension/OPEB related changes noted in the above table reflect an increase in deferred outflows and deferred inflows. The 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 benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension liability. The effect of these changes for pension and OPEB are the most significant reason for the increase in total net position.

The only other change of significance is the increase in current and other liabilities which was primarily related to compensation and due to the pay period end date.

Table 2 reflects the changes in net position for fiscal year 2018 and fiscal year 2017.

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues:			
Program Revenues			
Charges for Services	$10,781,247	$9,918,623	$862,624
Operating Grants and Contributions	2,899,579	3,293,374	(393,795)
Total Program Revenues	13,680,826	13,211,997	468,829

(continued)

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2018	2017	Change
Revenues: (continued)			
General Revenues			
Grants and Entitlements	$360,495	$130,000	$230,495
Interest	87,646	63,582	24,064
Gifts and Donations	4,475	5,575	(1,100)
Miscellaneous	160,771	159,567	1,204
Total General Revenues	613,387	358,724	254,663
Total Revenues	14,294,213	13,570,721	723,492
Expenses:			
Instruction:			
Regular	1,056,396	2,003,499	947,103
Special	1,135,759	2,485,840	1,350,081
Support Services:			
Pupils	3,922,592	5,368,192	1,445,600
Instructional Staff	153,216	325,373	172,157
Board of Education	21,497	21,695	198
Administration	590,127	1,221,887	631,760
Fiscal	757,251	876,213	118,962
Business	210	600	390
Operation and Maintenance of Plant	100,635	103,635	3,000
Pupil Transportation	18,223	40,358	22,135
Central	172,500	321,314	148,814
Non-Instructional Services	24,862	25,352	490
Intergovernmental	156,652	115,249	(41,403)
Total Expenses	8,109,920	12,909,207	4,799,287
Increase in Net Position	6,184,293	661,514	5,522,779
Net Position (Deficit) at Beginning of Year	(20,581,940)	n/a	n/a
Net Position (Deficit) at End of Year	($14,397,647)	($20,581,940)	$6,184,293

The information necessary to restate the fiscal year 2017 beginning balances and the fiscal year 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, fiscal year 2017 functional expenses still include OPEB expense of $79,343 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the fiscal year 2018 financial statements report negative OPEB expense of $170,844. Consequently, in order to compare fiscal year 2018 total program expenses to fiscal year 2017, the following adjustments are needed.

Total 2018 Program Expenses Under GASB Statement No. 75	$8,109,920
Negative OPEB Expense Under GASB Statement No. 75	(170,844)
2018 Contractually Required Contribution	(110,849)
Adjusted 2018 Program Expenses	7,828,227
Total 2017 Program Expenses Under GASB Statement No. 45	(12,909,207)
Decrease in Program Expenses Not Related to OPEB	($5,080,980)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes including a reduction in the discount rate and also voted to suspend cost of living adjustments (COLA). SERS decreased the COLA assumption. See Note 12. As a result of these changes, pension expense decreased from $1,020,819 in fiscal year 2017 to a negative pension expense of $4,708,467 for fiscal year 2018.

The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows.

	2018 Program Expenses Related to Negative Pension Expense
Expenses:	
Instruction:	
Regular	$997,889
Special	1,294,035
Support Services:	
Pupils	1,541,001
Instructional Staff	154,407
Board of Education	179
Administration	621,622
Fiscal	17,632
Operation and Maintenance of Plant	1,125
Central	80,544
Non-Instructional Services	33
Total Expenses	4,708,467

Program revenues were 96 percent of total revenues for fiscal year 2018 and 97 percent for fiscal year 2017. Program revenues are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to six local, two exempted village, and one city school district in Northwest Ohio, as well as some services to various other area school districts and agencies, both within and outside of Wood County. Charges for services were 75 percent of total revenues for fiscal year 2018. Note the increase in charges for services revenue from the prior fiscal year due increased services provided to the local school districts for fiscal year 2018. The decrease in operating grants and contributions was mostly due to reduced funding received through the 21st Century Grant.

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.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost 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	
	2018	2017	2018	2017
Instruction:				
Regular	$1,056,396	$2,003,499	($1,854,686)	($959,143)
Special	1,135,759	2,485,840	(7,051,940)	(5,339,540)
Support Services:				
Pupils	3,922,592	5,368,192	2,433,525	3,897,120
Instructional Staff	153,216	325,373	(347,964)	(77,582)
Board of Education	21,497	21,695	21,497	21,695
Administration	590,127	1,221,887	565,374	1,195,160
Fiscal	757,251	876,213	457,237	613,874
Business	210	600	210	600
Operation and Maintenance of Plant	100,635	103,635	85,741	89,032
Pupil Transportation	18,223	40,358	18,223	40,358
Central	172,500	321,314	66,505	256,829
Non-Instructional Services	24,862	25,352	(844)	(4,873)
Intergovernmental	156,652	115,249	36,216	(36,320)
Total Expenses	$8,109,920	$12,909,207	($5,570,906)	($302,790)

All of the Educational Service Center's costs for providing services were supported by program revenues for fiscal year 2018.

Expenses for paraprofessionals 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. The instruction programs appear to be over funded while support services programs seem to be quite under funded due to the allocation of professional and paraprofessional support staff charged against the support services programs relative to regular and special instruction.

The Educational Service Center's Funds

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

For fiscal year 2018, fund balance in the General Fund increased 7 percent despite a 4 percent increase in revenues and 8 percent increase in expenditures; however, revenues continued to exceed expenditures.

Fund balance in the Community Centers Grant Fund decreased 5 percent from the prior fiscal year. Both grant funding and charges for services decreased and expenditures increased.

Capital Assets

At June 30, 2018, the Educational Service Center had $1,533,246 net investment in capital assets. Additions and disposals were minimal. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

Current Issues

As part of Amended Substitute House Bill 49, the new fiscal year 2018-2019 Biennial State Operating Budget, educational service center funding was reduced by 3.85 percent to $41 million in both fiscal years, a reduction of $1.6 million. Educational service center funding is contained in an earmark within the 200-500 foundation line item in the budget.

For fiscal year 2018, once again, an educational service center may apply to the Ohio Department of Education to be designated as a high-performing educational service center which would generate $26 per pupil instead of the standard amount of $24 (subject to appropriation limits). However, as in years past, there is not enough funding in the appropriation to fund the increased amount. No educational service center will earn $24 per student or $26 per student, and the per pupil amounts will be prorated to fit within the appropriation. New language in the State Operating Budget places a moratorium on additional school districts aligning with educational service centers during fiscal years 2018 and 2019 which would further dilute the per pupil funding to educational service centers.

The Educational Service Center granted salary schedule years of experience increases and 2 percent salary raises in fiscal year 2018. The permanent elimination of health insurance benefits to paraprofessional staff in fiscal year 2012 continues to have a positive effect on holding down the costs for services sold.

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 Gina R. Fernbaugh, Treasurer/CFO, Wood County Educational Service Center, 1867 North Research Drive, Bowling Green, Ohio 43402-8835.

Wood County Educational Service Center
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$7,684,305
Accounts Receivable	187,811
Accrued Interest Receivable	3,972
Intergovernmental Receivable	282,045
Prepaid Items	31,410
Nondepreciable Capital Assets	112,500
Depreciable Capital Assets, Net	1,420,746
Total Assets	9,722,789
Deferred Outflows of Resources:	
Pension	4,818,584
OPEB	298,738
Total Deferred Outflows of Resources	5,117,322
Liabilities:	
Accounts Payable	20,935
Accrued Wages and Benefits Payable	1,242,336
Matured Compensated Absences Payable	1,937
Intergovernmental Payable	225,844
Long-Term Liabilities:	
Due Within One Year	55,135
Due in More Than One Year:	
Net Pension Liability	17,525,321
Net OPEB Liability	5,432,580
Other Amounts Due in More Than One Year	439,736
Total Liabilities	24,943,824
Deferred Inflows of Resources:	
Pension	3,666,329
OPEB	627,605
Total Deferred Inflows of Resources	4,293,934
Net Position:	
Net Investment in Capital Assets	1,533,246
Restricted for:	
Community Center	2,807,014
Wellness Activities	90,114
Alternative School	143,958
Private Industry Council	30,465
Other Purposes	239,036
Unrestricted (Deficit)	(19,241,480)
Total Net Position (Deficit)	($14,397,647)

See Accompanying Notes to Basic Financial Statements

Wood County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$1,056,396	$1,860,668	$1,050,414	$1,854,686
Special	1,135,759	8,041,587	146,112	7,051,940
Support Services:				
Pupils	3,922,592	443,139	1,045,928	(2,433,525)
Instructional Staff	153,216	0	501,180	347,964
Board of Education	21,497	0	0	(21,497)
Administration	590,127	24,753	0	(565,374)
Fiscal	757,251	300,014	0	(457,237)
Business	210	0	0	(210)
Operation and Maintenance of Plant	100,635	14,894	0	(85,741)
Pupil Transportation	18,223	0	0	(18,223)
Central	172,500	92,720	13,275	(66,505)
Non-Instructional Services	24,862	3,472	22,234	844
Intergovernmental	156,652	0	120,436	(36,216)
Total Governmental Activities	$8,109,920	$10,781,247	$2,899,579	5,570,906
	General Revenues:			
	Grants and Entitlements not Restricted to Specific Programs			360,495
	Interest			87,646
	Gifts and Donations			4,475
	Miscellaneous			160,771
	Total General Revenues			613,387
	Change in Net Position			6,184,293
	Net Position (Deficit) at Beginning of Year (Restated-See Note 3)			(20,581,940)
	Net Position (Deficit) at End of Year			($14,397,647)

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2018

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$4,554,331	$2,772,817	$357,157	$7,684,305
Accounts Receivable	1,269	186,202	340	187,811
Accrued Interest Receivable	3,972	0	0	3,972
Intergovernmental Receivable	56,657	17,798	207,590	282,045
Interfund Receivable	63,207	11,119	0	74,326
Prepaid Items	26,401	1,649	3,360	31,410
Total Assets	$4,705,837	$2,989,585	$568,447	$8,263,869
Liabilities:				
Accounts Payable	$7,972	$4,825	$8,138	$20,935
Accrued Wages and Benefits Payable	1,173,610	9,501	59,225	1,242,336
Matured Compensated Absences Payable	0	239	1,698	1,937
Intergovernmental Payable	170,939	26,406	28,499	225,844
Interfund Payable	0	0	74,326	74,326
Total Liabilities	1,352,521	40,971	171,886	1,565,378
Deferred Inflows of Resources:				
Unavailable Revenue	2,554	139,951	127,864	270,369
Fund Balances:				
Nonspendable	26,401	1,649	3,360	31,410
Restricted	0	2,807,014	295,149	3,102,163
Committed	212,816	0	0	212,816
Assigned	235,180	0	0	235,180
Unassigned (Deficit)	2,876,365	0	(29,812)	2,846,553
Total Fund Balances	3,350,762	2,808,663	268,697	6,428,122
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,705,837	$2,989,585	$568,447	$8,263,869

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$6,428,122
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.		1,533,246
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	142,845	
Intergovernmental Receivable	127,524	
		270,369
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(494,871)
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liablity and related deferred outflows/inflows are not reported in governmental funds.		
Deferred Outflows - Pension		4,818,584
Deferred Inflows - Pension		(3,666,329)
Net Pension Liability		(17,525,321)
Deferred Outflows - OPEB		298,738
Deferred Inflows - OPEB		(627,605)
Net OPEB Liability		(5,432,580)
Net Position of Governmental Activities		($14,397,647)

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Community Centers Grant	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental	$304,245	$239,668	$2,662,298	$3,206,211
Interest	87,646	0	0	87,646
Tuition and Fees	612,856	0	131,230	744,086
Customer Services	9,651,048	486,029	114,247	10,251,324
Gifts and Donations	4,475	69,110	0	73,585
Miscellaneous	160,750	0	56	160,806
Total Revenues	10,821,020	794,807	2,907,831	14,523,658
Expenditures:				
Current:				
Instruction:				
Regular	1,226,704	707,726	585,929	2,520,359
Special	2,587,169	0	245,167	2,832,336
Support Services:				
Pupils	4,846,149	0	1,229,055	6,075,204
Instructional Staff	234,957	52,830	50,077	337,864
Board of Education	22,123	0	0	22,123
Administration	948,964	4,627	424,657	1,378,248
Fiscal	534,854	54,086	216,560	805,500
Business	0	0	210	210
Operation and Maintenance of Plant	103,444	0	0	103,444
Pupil Transportation	82	18,141	0	18,223
Central	66,298	114,803	108,431	289,532
Non-Instructional Services	22,995	0	1,983	24,978
Intergovernmental	0	0	156,652	156,652
Total Expenditures	10,593,739	952,213	3,018,721	14,564,673
Changes in Fund Balances	227,281	(157,406)	(110,890)	(41,015)
Fund Balances at Beginning of Year	3,123,481	2,966,069	379,587	6,469,137
Fund Balances at End of Year	$3,350,762	$2,808,663	$268,697	$6,428,122

See Accompanying Notes to the Basic Financial Statements

Wood County 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, 2018

Changes in Fund Balances - Total Governmental Funds		($41,015)
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.		
Depreciable Capital Assets	7,617	
Depreciation	(64,402)	
		(56,785)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Intergovernmental	(15,247)	
Tuition and Fees	175	
Customer Services	(1,651)	
Miscellaneous	(35)	
		(16,758)
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.		(17,063)
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		4,708,467
OPEB		170,844
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		1,325,754
OPEB		110,849
Change in Net Position of Governmental Activities		$6,184,293

See Accompanying Notes to the Basic Financial Statements

Wood County Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency
Assets:	
Equity in Pooled Cash and Cash Equivalents	$50
Liabilities:	
Undistributed Assets	$50

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Reporting Entity

The Wood County Educational Service Center (the "Educational Service Center") is located in Bowling Green, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Eastwood, Elmwood, Lake, Northwood, North Baltimore, and Otsego Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Bowling Green City School District. 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 Wood County Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has four administrators, three hundred eight classified employees, and one hundred ninety-three 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 Wood County Educational Service Center, this includes general operations and student-related activities.

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 Wood County Educational Service Center.

The Educational Service Center participates in five jointly governed organizations and two insurance pools. These organizations are the Penta Career Center, the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Ohio Schools Council, the Ohio School Plan, and the Wood County Schools Benefit Plan Association. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Wood County 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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 or capital 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.

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. The Educational Service Center's funds are reported in two categories, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which all 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 Community Centers Grant 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.
>
> Community Centers Grant Fund - The Community Centers Grant Fund is used to account for resources provided by the Wood County Department of Human Services and restricted to promote family literacy skills; to provide safe and supervised after-school, weekend, and summer activities for children grades PreK to 12; and to encourage formation and maintenance of strong families.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted, committed, or assigned to 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 2018. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's agency funds account for the operations of Northwest Ohio Educational Training, a technology and professional development center, and for raising public awareness for the opioid epidemic in Wood County.

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 all 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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. Agency funds use 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.

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, and customer services.

Note 2 - Summary of Significant Accounting Policies (continued)

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 includes 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 intergovernmental revenue including grants, and other sources. 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 14. 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.

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 2018, investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. 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 the 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.

Note 2 - Summary of Significant Accounting Policies (continued)

For fiscal year 2018, 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 2018 was $87,646, which includes $57,530 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, 2018, 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. 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 one thousand 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
Furniture, Fixtures, and Equipment	5-7 years
Building	40 years

Note 2 - Summary of Significant Accounting Policies (continued)

H. 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.

I. 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.

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.

J. 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, net pension/OPEB liability and 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.

Note 2 - Summary of Significant Accounting Policies (continued)

K. 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. Net position restricted for other purposes consists of 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.

L. 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 is imposed by law through constitutional provisions.

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

Assigned - Amounts in the assigned 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. Assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Governing Board. The Governing Board has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Governing Board has also assigned fund balance for various educational activities and technology upgrades.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

M. 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 2018, these funds included the Miscellaneous State Grants, Preschool, and Early Childhood Education special revenue funds.

N. Interfund Transactions

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

O. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 and Restatement of Net Position

For fiscal year 2018, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 85, "Omnibus 2017", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

For fiscal year 2018, the Educational Service Center also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the Educational Service Center's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

Net Position (Deficit) June 30, 2017	($14,538,800)
Net OPEB Liability	(6,122,483)
Deferred Outflows - Payments Subsequent to the Measurement Date	79,343
Restated Net Position (Deficit) June 30, 2017	($20,581,940)

Other than employer contributions subsequent to the measurement date, the Educational Service Center made no restatement for deferred outflows/inflows of resources as the information needed to generate these restatements was not available.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). These changes were incorporated in the Educational Service Center's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2018, the Alcohol, Tobacco, and Other Drug Prevention; Miscellaneous State Grants, Parent Mentor; and 21st Century special revenue funds had deficit fund balances of $26,962, $61, $486, and $400, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

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

Note 5 - Deposits and Investments (continued)

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.

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.

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;

4. Bonds and other obligations of the State of Ohio and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

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);

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

8. Commercial paper and bankers' acceptances if training requirements have been met.

Note 5 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, $243,744 of the Educational Service Center's bank balance of $7,775,884 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

The Educational Service Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Educational Service Center or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

In April 2018, one of the Educational Service Center's financial institutions participating in OPCS was approved for a reduced collateral floor of 50 percent.

Investments

As of June 30, 2018, the net asset value of funds on deposit with STAR Ohio was $380. The Educational Service Center's investment in STAR Ohio had an average maturity of 48.9 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The Educational Service Center has no policy regarding interest rate or credit risk beyond the requirements of State statue. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 settlements 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.

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, 2018, 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	
Tuition	$5,784
Customer Services	3,678
Intergovernmental	44,723
Miscellaneous	2,472
Total General Fund	56,657
Community Centers Grant Fund	
Community Centers Grant	17,798
Total Major Funds	74,455

Note 7 - Receivables (continued)

	Amounts
Other Governmental Funds	
Alcohol, Tobacco, and Other Drug Prevention	$56,053
Miscellaneous State Grants	3,889
Private Industry Council	71,641
Title I	18,540
Preschool	2,631
21st Century	28,783
Drug-Free Communities	2,568
Project Aware	23,485
Total Other Governmental Funds	207,590
Total Intergovernmental Receivables	$282,045

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18
Governmental Activities				
Nondepreciable Capital Assets				
Land	$112,500	$0	$0	$112,500
Depreciable Capital Assets				
Furniture, Fixtures, and Equipment	370,335	7,617	(28,736)	349,216
Building	2,149,640	0	0	2,149,640
Total Depreciable Capital Assets	2,519,975	7,617	(28,736)	2,498,856
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(343,811)	(10,661)	28,736	(325,736)
Building	(698,633)	(53,741)	0	(752,374)
Total Accumulated Depreciation	(1,042,444)	(64,402)	28,736	(1,078,110)
Depreciable Capital Assets, Net	1,477,531	(56,785)	0	1,420,746
Governmental Activities Capital Assets, Net	$1,590,031	($56,785)	$0	$1,533,246

Note 8 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$10,349
Special	5,697
Support Services:	
Pupils	16,777
Instructional Staff	6,775
Administration	18,073
Fiscal	5,822
Central	909
Total Depreciation Expense	$64,402

Note 9 - Interfund Assets/Liabilities

At June 30, 2018, the General Fund had an interfund receivable, in the amount of $63,207, from other governmental funds; $26,061 for services provided and $37,146 to provide cash flow resources until the receipt of grant monies. The Community Centers Grant special revenue fund had an interfund receivable, in the amount of $11,119, from other governmental funds for services provided. These amounts are expected to be repaid within one year.

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 2018, the Educational Service Center contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan:	
General Liability	
Per Occurrence	$3,000,000
Aggregate	5,000,000
Comprehensive Auto Liability	1,000,000
Property	5,384,187
Cyber	1,000,000

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.

Note 10 - Risk Management (continued)

For fiscal year 2018, 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 Wood County Schools Benefit Plan Association (Association), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The Educational Service Center pays monthly premiums to the Association for employee medical and dental benefits. The Association is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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 2019 are as follows:

General Fund	$44,341
Community Centers Grant Fund	53,658
Other Governmental Funds	184,331
Total	$282,330

Note 12 - Defined Benefit Pension Plans

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

Net Pension Liability

The net pension liability and the net OPEB liability 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 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 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 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. Resulting adjustments to the net pension/OPEB liability 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 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.

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.

Note 12 - Defined Benefit Pension Plans (continued)

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.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost of living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2018, 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 $716,772 for fiscal year 2018. There was no liability outstanding at the end of the fiscal year.

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.

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. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one 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.

<u>Note 12 - Defined Benefit Pension Plans</u> (continued)

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 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.

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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS was $608,982 for fiscal year 2018. Of this amount, $107,055 is reported as an intergovernmental payable.

<u>Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions</u>

The net pension liability was measured as of June 30, 2017, 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.

Note 12 - Defined Benefit Pension Plans (continued)

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.14229990%	0.03806780%	
Proportion of the Net Pension Liability Current Measurement Date	0.14724140%	0.03674129%	
Change in Proportionate Share	0.00494150%	0.00132651%	
Proportionate Share of the Net Pension Liability	$8,797,349	$8,727,972	$17,525,321
Pension Expense	($220,069)	($4,488,398)	($4,708,467)

At June 30, 2018, 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	$378,607	$337,033	$715,640
Changes of Assumptions	454,917	1,908,903	2,363,820
Changes in Proportionate Share and Difference Between ESC Contributions and Proportionate Share of Contributions	413,370	0	413,370
ESC Contributions Subsequent to the Measurement Date	716,772	608,982	1,325,754
Total Deferred Outflows of Resources	$1,963,666	$2,854,918	$4,818,584
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$0	$70,344	$70,344
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	41,759	288,033	329,792
Changes in Proportionate Share and Difference Between ESC Contributions and Proportionate Share of Contributions	85,116	3,181,077	3,266,193
Total Deferred Inflows of Resources	$126,875	$3,539,454	$3,666,329

Note 12 - Defined Benefit Pension Plans (continued)

$1,325,754 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, 2019. 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,			
2019	$456,747	($725,537)	($268,790)
2020	674,378	(333,713)	340,665
2021	193,978	(308,722)	(114,744)
2022	(205,084)	74,454	(130,630)
Total	$1,120,019	($1,293,518)	($173,499)

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.

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, 2017, are presented below.

Wage 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

Note 12 - Defined Benefit Pension Plans (continued)

Prior to 2017, an assumption of 3 percent was used for COLA and Ad Hoc COLA.

For 2017, the 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%	

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.

Note 12 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$12,208,433	$8,797,349	$5,939,869

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2017, actuarial valuation compared with July 1, 2016, are presented below.

	July 1, 2017	July 1, 2016
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

For the July 1, 2017, actuarial valuation, 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 the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 2, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience effective July 1, 2012.

Note 12 - Defined Benefit Pension Plans (continued)

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, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2017. 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, 2017.

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	$12,511,251	$8,727,972	$5,541,127

Note 12 - Defined Benefit Pension Plans (continued)

Social Security

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, 2018, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

See Note 15 for a description of the net OPEB liability.

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.

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.

Note 13 - Postemployment Benefits (continued)

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 2018, .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 2018, this amount was $23,700. 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 2018, the Educational Service Center's surcharge obligation was $84,302.

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 $110,849 for fiscal year 2018. There was no liability outstanding at the end of the fiscal year.

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, 2018, STRS did not allocate any employer contributions to postemployment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net OPEB liability was based on the Educational Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Note 13 - Postemployment Benefits (continued)

Following is information related to the proportionate share and OPEB expense.

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	.14337110%	.03806780%	
Proportion of the Net OPEB Liability Current Measurement Date	.14901130%	.03674129%	
Change in Proportionate Share	.00564020%	.00132651%	
Proportionate Share of the Net OPEB Liability	$3,999,071	$1,433,509	$5,432,580
OPEB Expense	$276,721	($447,565)	($170,844)

At June 30, 2018, 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	$0	$82,751	$82,751
Changes in Proportionate Share and Difference Between ESC Contributions and Proportionate Share of Contributions	105,138	0	105,138
ESC Contributions Subsequent to the Measurement Date	110,849	0	110,849
Total Deferred Outflows of Resources	$215,987	$82,751	$298,738
Deferred Inflows of Resources			
Changes of Assumptions	$379,491	$115,474	$494,965
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	10,561	61,272	71,833
Changes in Proportionate Share and Difference Between ESC Contributions and Proportionate Share of Contributions	0	60,807	60,807
Total Deferred Inflows of Resources	$390,052	$237,553	$627,605

Note 13 - Postemployment Benefits (continued)

$110,849 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 in the fiscal year ending June 30, 2019. 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,			
2019	($102,044)	($30,907)	($132,951)
2020	(102,044)	(30,907)	(132,951)
2021	(78,186)	(30,907)	(109,093)
2022	(2,640)	(30,907)	(33,547)
2023	0	(15,589)	(15,589)
2024	0	(15,585)	(15,585)
Total	($284,914)	($154,802)	($439,716)

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.

<u>Note 13 - Postemployment Benefits</u> (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below.

Wage 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	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.5 to 5 percent
Pre-Medicare	7.5 to 5 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, 2017, was 3.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2017, was 2.98 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 3.56 percent, as of June 30, 2017 (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 (2.63 percent) or one percentage point higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4 percent) and one percentage point higher (8.5 percent decreasing to 6 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$4,829,388	$3,999,071	$3,341,249

	1% Decrease (6.5% Decreasing to 4%)	Current Trend Rate (7.5% Decreasing to 5%)	1% Increase (8.5% Decreasing to 6%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$3,244,947	$3,999,071	$4,997,169

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, 2017, 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
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 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, 2017, 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 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.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B reimbursements was extended to January 2020.

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 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 not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036, and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of 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 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. A blended discount rate of 3.26 percent which represents the long-term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$1,924,464	$1,433,509	$1,045,495

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB Liability	$995,941	$1,433,509	$2,009,401

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements 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 administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, the superintendent, administrators, 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 two hundred days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-seven days for all employees.

B. Health Care Benefits

The Educational Service Center offers medical and dental benefits to full-time employees through the Wood County Schools Benefit Plan Association. The Educational Service Center also offers life insurance to all employees through American United Life Insurance.

Note 15 - Long Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Net Pension Liability					
SERS	$10,415,039	$0	$1,617,690	$8,797,349	$0
STRS	12,742,440	0	4,014,468	8,727,972	0
Total Net Pension Liability	23,157,479	0	5,632,158	17,525,321	0
Net OPEB Liability					
SERS	4,086,607	0	87,536	3,999,071	0
STRS	2,035,876	0	602,367	1,433,509	0
Total Net OPEB Liability	6,122,483	0	689,903	5,432,580	0
Compensated Absences	477,808	35,307	18,244	494,871	55,135
Total Long-Term Obligations	$29,757,770	$35,307	$6,340,305	$23,452,772	$55,135

Net Pension/OPEB Liability

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund; Community Centers Grant; Alcohol, Tobacco, and Other Drug Prevention; Alternative School; Miscellaneous State Grants; Private Industry Council; Parent Mentor; 21st Century; and Project Aware special revenue funds. For additional information related to the net pension/OPEB liability, see Notes 12 and 13 to the basic financial statements.

Note 15 - Long Term Obligations (continued)

Compensated absences will be paid from the General Fund and the Community Centers Grant special revenue fund.

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	Community Centers Grant	Other Governmental	Total Governmental
Nonspendable for:				
Prepaid Items	$26,401	$1,649	$3,360	$31,410
Restricted for:				
Alternative School	0	0	143,958	143,958
Community Learning Center	0	2,807,014	0	2,807,014
Drug Abuse Education	0	0	3,116	3,116
Remedial Reading	0	0	27,178	27,178
Special Needs Children	0	0	318	318
Wellness Activities	0	0	90,114	90,114
Workforce Improvement	0	0	30,465	30,465
Total Restricted	0	2,807,014	295,149	3,102,163
Committed for:				
Termination Benefits	212,816	0	0	212,816
Assigned for:				
Educational Activities	4,532	0	0	4,532
Technology Upgrades	200,000	0	0	200,000
Unpaid Obligations	30,648	0	0	30,648
Total Assigned	235,180	0	0	235,180
Unassigned (Deficit)	2,876,365	0	(29,812)	2,846,553
Total Fund Balance	$3,350,762	$2,808,663	$268,697	$6,428,122

Note 17 - Jointly Governed Organizations

A. Penta Career Center

The Penta 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 nine board members appointed from participating School Districts' or Educational Service Centers' elected Board of Education. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Lucas; and two representatives from the most populous county: Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

B. 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 a 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 2018, the Educational Service Center paid $62,948 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

C. 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, P.O. Box 407, Archbold, Ohio 43502.

Note 17 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

E. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among school districts, educational service centers, joint vocational districts, and Developmental Disabilities Boards which was formed to purchase quality products and services at the lowest possible cost to participants. The Council is governed by a board consisting of nine superintendents from the participants. The degree of control exercised by any participant is limited to its representation on the Board. Financial information can be obtained from the Ohio Schools Council Association, 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

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.

The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Note 18 - Insurance Pools (continued)

B. Wood County Schools Benefit Plan Association

The Wood County Schools Benefit Plan Association (Association) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The Association is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Huntington Retirement Plan Services, 519 Madison Avenue, 3rd Floor, Toledo, Ohio 43604.

Note 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2018.

B. Litigation

There are currently no matters in litigation with the Educational Service Center as defendant.

Wood County 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 Five Years (1)

	2018	2017	2016	2015
Educational Service Center's Proportion of the Net Pension Liability	0.14724140%	0.14229990%	0.13520220%	0.14050900%
Educational Service Center's Proportionate Share of the Net Pension Liability	$8,797,349	$10,415,039	$7,714,768	$7,111,081
Educational Service Center's Employee Payroll	$4,884,136	$4,419,307	$4,070,296	$4,083,656
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	180.12%	235.67%	189.54%	174.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%

(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

2014
0.14050900%
$8,355,619
$3,867,641
216.04%
65.52%

Wood County 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 Five Fiscal Years (1)

	2018	2017	2016	2015
Educational Service Center's Proportion of the Net Pension Liability	0.03674129%	0.03806780%	0.05183839%	0.05611239%
Educational Service Center's Proportionate Share of the Net Pension Liability	$8,727,972	$12,742,440	$14,326,615	$13,648,474
Educational Service Center's Employee Payroll	$4,064,793	$3,827,307	$5,211,693	$5,745,577
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	214.72%	332.93%	274.89%	237.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

(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

2014
0.05611239%
$16,257,974
$4,527,800
359.07%
69.30%

Wood County 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 Two Fiscal Years (1)

	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.14901130%	0.14337110%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$3,999,071	$4,086,607
Educational Service Center's Employee Payroll	$4,884,136	$4,419,307
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	81.88%	92.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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

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

	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.03674129%	0.03806780%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$1,433,509	$2,035,876
Educational Service Center's Employee Payroll	$4,064,793	$3,827,307
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	35.27%	53.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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

Wood County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years (1)

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$716,772	$683,779	$618,703	$536,465
Contributions in Relation to the Contractually Required Contribution	(716,772)	(683,779)	(618,703)	(536,465)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll (1)	$5,309,422	$4,884,136	$4,419,307	$4,070,296
Contributions as a Percentage of Employee Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	$110,849	$79,343	$68,967	$102,751
Contributions in Relation to the Contractually Required Contribution	(110,849)	(79,343)	(68,967)	(102,751)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	2.09%	1.62%	1.56%	2.52%
Total Contributions as a Percentage of Employee Payroll (2)	15.59%	15.62%	15.56%	15.70%

(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

	2014	2013	2012	2011	2010	2009
	$534,959	$506,661	$507,414	$465,653	$573,140	$363,370
	(534,959)	(506,661)	(507,414)	(465,653)	(573,140)	(363,370)
	$0	$0	$0	$0	$0	$0
	$4,083,656	$3,867,641	$3,995,386	$3,942,870	$4,484,664	$3,997,470
	13.10%	13.10%	12.70%	11.81%	12.78%	9.09%
	$74,575	$70,657	$79,516	$113,785	$88,354	$226,638
	(74,575)	(70,657)	(79,516)	(113,785)	(88,354)	(226,638)
	$0	$0	$0	$0	$0	$0
	1.83%	1.83%	1.99%	2.89%	1.97%	5.67%
	14.93%	14.93%	14.69%	14.70%	14.75%	14.76%

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$608,982	$569,071	$535,823	$729,637
Contributions in Relation to the Contractually Required Contribution	(608,982)	(569,071)	(535,823)	(729,637)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll	$4,349,871	$4,064,793	$3,827,307	$5,211,693
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

2014	2013	2012	2011	2010	2009
$746,925	$588,614	$608,969	$632,841	$728,472	$782,423
(746,925)	(588,614)	(608,969)	(632,841)	(728,472)	(782,423)
$0	$0	$0	$0	$0	$0
$5,745,577	$4,527,800	$4,684,377	$4,868,008	$5,603,631	$6,018,638
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$57,456	$45,278	$46,844	$48,680	$56,036	$60,186
(57,456)	(45,278)	(46,844)	(48,680)	(56,036)	(60,186)
$0	$0	$0	$0	$0	$0
1.00%	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

For 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 new 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

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new 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

For 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 were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

<u>Net OPEB Liability</u>

<u>Changes in Assumptions - SERS</u>

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

<u>Changes in Assumptions - STRS</u>

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.

Also 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 premium reimbursements will be discontinued beginning January 2019.

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Wood County 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, 2018

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	$302,321	$304,245	$304,245	$0
Interest	65,000	86,236	86,021	(215)
Tuition and Fees	654,270	619,523	619,523	0
Customer Services	9,442,599	9,675,733	9,675,733	0
Gifts and Donations	5,500	4,475	4,475	0
Miscellaneous	119,378	92,258	92,258	0
Total Revenues	10,589,068	10,782,470	10,782,255	(215)
Expenditures:				
Current:				
Instruction:				
Regular	1,177,641	1,191,715	1,155,055	36,660
Special	2,536,536	2,612,545	2,571,293	41,252
Support Services:				
Pupils	4,754,295	4,831,512	4,761,441	70,071
Instructional Staff	246,410	248,864	246,514	2,350
Board of Education	25,375	25,723	22,853	2,870
Administration	956,517	982,612	964,347	18,265
Fiscal	519,725	539,104	533,630	5,474
Operation and Maintenance of Plant	114,282	118,601	110,067	8,534
Central	55,958	76,168	72,084	4,084
Non-Instructional Services	23,372	25,532	23,182	2,350
Total Expenditures	10,410,111	10,652,376	10,460,466	191,910
Excess of Revenues Over Expenditures	178,957	130,094	321,789	191,695
Other Financing Sources (Uses)				
Refund of Prior Year Receipts	(52)	(34,995)	(34,995)	0
Refund of Prior Year Expenditures	73,198	65,561	65,561	0
Other Financing Uses	(275,000)	(41,968)	0	41,968
Advances In	64,033	64,033	64,033	0
Advances Out	(15,347)	(178,104)	(48,265)	129,839
Total Other Financing Sources (Uses)	(153,168)	(125,473)	46,334	171,807
Changes in Fund Balance	25,789	4,621	368,123	363,502
Fund Balance at Beginning of Year	4,115,994	4,115,994	4,115,994	0
Prior Year Encumbrances Appropriated	25,873	25,873	25,873	0
Fund Balance at End of Year	$4,167,656	$4,146,488	$4,509,990	$363,502

See Accompanying Notes to the Supplemental Section

Wood County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Community Centers Grant Fund
For the Fiscal Year Ended June 30, 2018

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	$148,137	$253,903	$245,389	($8,514)
Customer Services	341,644	483,716	483,406	(310)
Gifts and Donations	71,110	69,110	69,110	0
Total Revenues	560,891	806,729	797,905	(8,824)
Expenditures:				
Current:				
Instruction:				
Regular	717,320	767,252	738,005	29,247
Support Services:				
Instructional Staff	38,820	55,155	50,994	4,161
Administration	5,200	5,200	4,457	743
Fiscal	52,190	53,397	53,370	27
Pupil Transportation	34,900	34,900	32,141	2,759
Central	91,774	124,302	115,116	9,186
Total Expenditures	940,204	1,040,206	994,083	46,123
Excess of Revenue Under Expenditures	(379,313)	(233,477)	(196,178)	37,299
Other Financing Uses				
Refund of Prior Year Receipts	(1,000)	(1,000)	(356)	644
Other Financing Uses	(100,000)	0	0	0
Total Other Financing Uses	(101,000)	(1,000)	(356)	644
Changes in Fund Balance	(480,313)	(234,477)	(196,534)	37,943
Fund Balance at Beginning of Year	2,883,521	2,883,521	2,883,521	0
Prior Year Encumbrances Appropriated	32,172	32,172	32,172	0
Fund Balance at End of Year	$2,435,380	$2,681,216	$2,719,159	$37,943

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

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 level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary 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 Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund and the Community Centers Grant special revenue fund 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:

Changes in Fund Balance

	General	Community Centers Grant
GAAP Basis	$227,281	($157,406)
Increases (Decreases) Due To		
Revenue Accruals:		
Accrued FY 2017, Received in Cash FY 2018	101,082	78,266
Accrued FY 2018, Not Yet Received in Cash	(74,286)	(75,168)
Expenditure Accruals:		
Accrued FY 2017, Paid in Cash FY 2018	(1,209,341)	(29,091)
Accrued FY 2018, Not Yet Paid in Cash	1,352,521	40,971
Prepaid Items	(561)	(448)
Advances In	64,033	0
Advances Out	(48,265)	0
Encumbrances Outstanding at Year End (Budget Basis)	(44,341)	(53,658)
Budget Basis	$368,123	($196,534)

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	2018	$28,986
Non-Cash Assistance (Food Distribution)	10.555	2018	1,218
Total National School Lunch Program			30,204
School Breakfast Program	10.553	2018	9,598
Summer Food Service Program for Children	10.559	2018	5,690
Total Child Nutrition Cluster			45,492
Total U.S. Department of Agriculture			45,492
UNITED STATES DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title 1 Grants to Local Educational Agencies	84.010	2017	19,125
		2018	106,705
Total Title 1 Grants to Local Educational Agencies			125,830
Special Education Cluster:			
Special Education Grants to States	84.027	2018	25,000
Special Education Preschool Grants	84.173	2017	3,654
		2018	12,296
Total Special Education - Preschool Grant			15,950
Total Special Education Cluster			40,950
Twenty-First Century Community Learning Centers	84.287	2017	50,195
		2018	444,539
Total Twenty-First Century Community Learning Centers			494,734
Total United States Department of Education			661,514
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Assistance			
Drug-Free Communities Support Program Grants	93.276	2018	139,074
Passed Through Ohio Department of Education			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	2017	240,024
		2018	264,891
Total Substance Abuse and Mental Health Services - Projects of Regional and National Significance			504,915
Passed Through Wood County Department of Job and Family Services			
Temporary Assistance to Needy Families	93.558	2017	192,124
		2018	382,482
Total Temporary Assistance to Needy Families			574,606
Passed Through Wood County Department of Alcohol, Drug Addiction and Mental Health Services			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2017	19,115
		2018	80,742
Total Block Grants for Prevention and Treatment of Substance Abuse			99,857
Total United States Department of Health and Human Services			1,318,452
Total Expenditures of Federal Awards			2,025,458

The accompanying notes are an integral part of this schedule.

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wood County Educational Service Center (the Center's) under programs of the federal government for the year ended June 30, 2018. 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 to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for those grants received from Wood County Job and Family Services and Wood County Alcohol, Drug Addiction and Mental Health Services agencies. Other grants received from the Ohio Department of Education use the restricted indirect cost rate.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The Center reports commodities consumed on the Schedule at the entitlement value. The Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

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 Wood County Educational Service Center, Wood County, Ohio (the Center) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 26, 2019 wherein we noted the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2019

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

Wood County Educational Service Center
Wood County
1867 North Research Drive
Bowling Green, Ohio 43402-8835

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited Wood County Educational Service Center, Wood 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 Wood County Educational Service Center's major federal program for the year ended June 30, 2018. 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 on the Major Federal Program

In our opinion, Wood County Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2019

WOOD COUNTY EDUCATIONAL SERVICE CENTER
WOOD COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Twenty-First Century Community Learning Centers – CFDA #84.287
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

WOOD COUNTY EDUCATIONAL SERVICE CENTER

WOOD 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 19, 2019

88 East Broad Street, Columbus, Ohio 43215
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