GALLIA-VINTON EDUCATIONAL SERVICE CENTER
GALLIA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

GALLIA-VINTON EDUCATIONAL SERVICE CENTER
GALLIA COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Gallia-Vinton Educational Service Center
Gallia County
P.O. Box 178
Rio Grande, Ohio 45674

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia-Vinton Educational Service Center, Gallia 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 the Gallia-Vinton Educational Service Center, Gallia 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 14 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 Supplementary Information presents additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 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

March 6, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Gallia-Vinton Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2018 by $1,850,784.

- The Center's net position of governmental activities increased $822,751.

- General revenues accounted for $1,727,159 or 29 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for $4,278,979 or 71 percent of total revenues of $6,006,138.

- The Center had $4,403,167, in expenses related to governmental activities; all of these expenses were offset by program specific charges for services and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Gallia-Vinton Educational Service Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the statement of net position and the statement of activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies.

All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net position and changes to that position. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Position and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. All of the Center's programs and services are reported here including support services, operation and maintenance of plant, and pupil transportation.

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 10. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Gallia-Vinton Educational Service Center's major funds are the General Fund and the Miscellaneous Federal Grants Special Revenue Fund.

Governmental Funds. All of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE CENTER AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2018 compared to 2017.

Table 1
Net Position
Governmental Activities

	2018	2017*
Assets:		
Current and Other Assets	$ 2,280,844	$ 1,988,660
Capital Assets, Net	100,963	810,301
Total Assets	2,381,807	2,798,961
Deferred Outflows of Resources:		
Pensions and OPEB	3,828,793	4,752,334
Total Deferred Outflows of Resources	3,828,793	4,752,334
Liabilities:		
Current and Other Liabilities	276,230	146,674
Long-Term Liabilities:		
Due Within One Year	1,690	1,859
Due in More than One Year:		
Net Pension Liabilities	4,898,958	8,131,550
Net OPEB Liabilities	1,206,899	1,731,086
Other Amounts	1,145	822
Total Liabilities	6,384,922	10,011,991
Deferred Inflows of Resources		
Pensions and OPEB	1,676,462	212,839
Total Deferred Inflows of Resources	1,676,462	212,839
Net Position:		
Net Investment in Capital Assets	100,963	810,301
Restricted	4	45,905
Unrestricted	(1,951,751)	(3,529,741)
Total Net Position	$ (1,850,784)	$ (2,673,535)

* As restated, see Note 14 for additional information.

The net pension liability (NPL) is the largest single liability reported by the Center at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Center adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the 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 healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

As a result of implementing GASB 75, the Center is reporting a net OPEB liability and deferred inflows/ outflows 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 ($954,859) to ($2,673,535).

Total net position of the Center as a whole increased $822,751. The increase to current and other assets is primarily due to an increase to intergovernmental receivable and cash. Capital assets, net decreased due to current year deletions and depreciation, which was partially offset by current year additions. The Center transferred a capital asset to Gallipolis City School District during 2018 which was the largest capital asset deletion. Deferred outflows of resources decreased due to pension activity.

Current and other liabilities increased primarily due to an increase to accounts payable. Long-term liabilities overall decreased primarily due to net pension and OPEB liabilities.

Deferred inflows of resources increased due primarily to pension and OPEB activity.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018 as compared with 2017.

Table 2
Changes in Net Position
Governmental Activities

	2018	2017*
Revenues		
Program Revenues:		
Charges for Services	$ 3,578,479	$ 3,389,523
Operating Grants and Contributions	700,500	1,772,264
Capital Grants and Contributions	-	219,156
Total Program Revenues	4,278,979	5,380,943
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	1,706,423	466,956
Investment Earnings	8,479	9,741
Miscellaneous	12,257	20,112
Total General Revenues	1,727,159	496,809
Total Revenues	6,006,138	5,877,752
Program Expenses		
Instruction		
Regular	348,115	1,287,102
Support Services		
Pupil	142,114	556,675
Instructional Staff	2,194,504	2,337,562
Board of Education	33,193	39,815
Administration	621,488	1,010,151
Fiscal	205,108	230,511
Operation and Maintenance of Plant	61,089	23,581
Pupil Transportation	577,815	488,278
Central	190,032	140,560
Operation of Non-Instructional Services	29,709	62,701
Total Expenses	4,403,167	6,176,936
Special Item - Transfer of Assets	(780,220)	-
Increase (Decrease) in Net Position	822,751	(299,184)
Net Position at Beginning of Year	(2,673,535)	(655,675)
Net Position at End of Year	$ (1,850,784)	$ (954,859)

* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 14, for additional information.

Governmental Activities

Charges for services comprised 60 percent of revenue, while operating grants and contributions comprised 12 percent of revenue for governmental activities of the Gallia-Vinton Educational Service Center for fiscal year 2018. The increase in charges for services was primarily a result of increased revenue for services provided to local school districts. Operating grants and contributions decreased primarily to the ESC not receiving monies for the Straight A program in 2018 in addition to less monies received for the 21st Century program. The decrease to capital grants and contributions is due to monies received from Gallipolis City School District to construct a central transportation center for their District in the prior fiscal year. The increase to grants and entitlements, not restricted to specific programs is due to monies received from the TANF program.

As indicated by governmental program expenses support services for the benefit of the instructional staff and administration is emphasized. Instructional staff support services and administration support services comprised 50 percent and 14 percent of governmental program expenses, respectively. Regular instruction decreased partially due to a decrease in 21st Century grants. Regular instruction, support services for the benefit of pupils, and administration decreased due to pension and OPEB activity.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2018 as compared with 2017. That is, it identifies the cost of these services supported by unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2018		2017*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$348,115	($15,793)	$1,287,102	$101,559
Support Services	4,025,343	(107,258)	4,827,133	685,742
Operation of Non-Instructional	29,709	(1,137)	62,701	8,692
Total Expenses	$4,403,167	($124,188)	$6,176,936	$795,993

* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 14, for additional information.

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $6,072,645 and expenditures of $5,843,510.

The fund balance of the General Fund increased in the amount of $228,842. This increase was due to revenues exceeding expenditures for the current year.

The Miscellaneous Federal Grants fund had an increase in fund balance in the amount of $293.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the Center had $100,963 invested in its capital assets. Table 4 shows the fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

Governmental Activities

	2018	2017
Asset held on behalf of another	$0	$780,220
Furniture and Equipment	100,963	30,081
Totals	$100,963	$810,301

Changes in capital assets from the prior year resulted from additions, deletions, and depreciation. See Note 4 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2018, the Center did not have any outstanding debt obligations. See Note 9 to the basic financial statements for more detailed information related to other long-term obligations.

ECONOMIC FACTORS

The Center relies heavily on grants for its funding. It received the 21st Century Grant and the MSP Grant in fiscal year 2018. The Center is continually applying for new grants.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jay Carter, Treasurer, Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

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Gallia-Vinton Educational Service Center

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 1,866,448
Accounts Receivable	1,209
Intergovernmental Receivable	406,225
Prepaid Items	6,962
Noncurrent Assets:	
Depreciable Capital Assets, net	100,963
Total Assets	2,381,807
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions and OPEB:	
State Teachers Retirement System	3,153,447
School Employees Retirement System	675,346
Total Deferred Outflows of Resources	3,828,793
LIABILITIES:	
Current Liabilities:	
Accounts Payable	154,239
Accrued Wages and Benefits	63,046
Intergovernmental Payable	58,945
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	1,690
Due in More Than One Year	
Net Pension Liability (see Note 6)	4,898,958
Net OPEB Liability (see Note 7)	1,206,899
Other Amounts Due in More Than One Year	1,145
Total Liabilities	6,384,922
DEFERRED INFLOWS OF RESOURCES	
Pensions and OPEB:	
State Teachers Retirement System	1,461,629
School Employees Retirement System	214,833
Total Deferred Inflows of Resources	1,676,462
NET POSITION:	
Net Investment in Capital Assets	100,963
Restricted for Other Purposes	4
Unrestricted	(1,951,751)
Total Net Position	$ (1,850,784)

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 348,115	$ 108,163	$ 224,159	$ (15,793)
Support Services:				
Pupil	142,114	139,946	-	(2,168)
Instructional Staff	2,194,504	1,923,649	211,551	(59,304)
Board of Education	33,193	32,759	-	(434)
Administration	621,488	485,195	119,786	(16,507)
Fiscal	205,108	178,158	21,015	(5,935)
Operation and Maintenance of Plant	61,089	53,857	-	(7,232)
Pupil Transportation	577,815	498,877	67,949	(10,989)
Central	190,032	137,709	47,634	(4,689)
Operation of Non-Instructional Services	29,709	20,166	8,406	(1,137)
Totals	$ 4,403,167	$ 3,578,479	$ 700,500	(124,188)

General Revenues	
Grants and Entitlements not Restricted to Specific Programs	1,706,423
Investment Earnings	8,479
Miscellaneous	12,257
Total General Revenues	1,727,159
Special Item - Transfer of Assets	(780,220)
Change in Net Position	822,751
Net Position Beginning of Year - As Restated, See Note 14	(2,673,535)
Net Position End of Year	$ (1,850,784)

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 1,866,444	$ -	$ 4	$ 1,866,448
Accounts Receivable	1,209	-	-	1,209
Intergovernmental Receivable	406,225	-	-	406,225
Prepaid Items	6,962	-	-	6,962
Total Assets	$ 2,280,840	$ -	$ 4	$ 2,280,844
LIABILITIES:				
Current Liabilities:				
Accounts Payable	$ 154,239	$ -	$ -	$ 154,239
Accrued Wages and Benefits	63,046	-	-	63,046
Intergovernmental Payable	58,945	-	-	58,945
Total Liabilities	276,230	-	-	276,230
FUND BALANCES:				
Restricted	-	-	4	4
Assigned	130,920	-	-	130,920
Unassigned	1,873,690	-	-	1,873,690
Total Fund Balances	2,004,610	-	4	2,004,614
Total Liabilities and Fund Balances	$ 2,280,840	$ -	$ 4	$ 2,280,844

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$	2,004,614
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			100,963
The net pension and OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.			
Deferred outflows of resources related to pensions and OPEB	3,828,793		
Deferred inflows of resources related to pensions OPEB	(1,676,462)		
Net pension liability	(4,898,958)		
Net OPEB liability	(1,206,899)		
Total			(3,953,526)
Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences			(2,835)
Net Position of Governmental Activities		$	(1,850,784)

The notes to the basic financial statements are an integral part of this statement.

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

	General Fund	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Intergovernmental	$ 1,706,423	$ 746,194	$ 500	$ 2,453,117
Interest	8,479	-	-	8,479
Contract Services	145,462	-	-	145,462
Customer Sales and Services	3,453,330	-	-	3,453,330
Miscellaneous	12,257	-	-	12,257
Total Revenues	5,325,951	746,194	500	6,072,645
EXPENDITURES:				
Current:				
Instruction:				
Regular	554,408	238,520	-	792,928
Support Services:				
Pupil	384,901	-	-	384,901
Instructional Staff	2,247,398	225,129	500	2,473,027
Board of Education	32,186	-	-	32,186
Administration	900,495	127,644	-	1,028,139
Fiscal	171,703	22,500	-	194,203
Operation and Maintenance of Plant	54,570	-	-	54,570
Pupil Transportation	492,049	72,332	-	564,381
Central	139,532	50,500	-	190,032
Operation of Non-Instructional Services	18,082	9,276	-	27,358
Capital Outlay	101,785	-	-	101,785
Total Expenditures	5,097,109	745,901	500	5,843,510
Net Changes in Fund Balances	228,842	293	-	229,135
Fund Balances at Beginning of Year	1,775,768	(293)	4	1,775,479
Fund Balances at End of Year	$ 2,004,610	$ -	$ 4	$ 2,004,614

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$ 229,135
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.		
Capital asset additions	101,785	
Current year depreciation	(30,903)	
Total		70,882
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the transfer of capital assets.		(780,220)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(46,194)	
Customer Sales and Services	(20,313)	
Total		(66,507)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		370,284
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liability are reported as pension/OPEB expense (gain) in the statement of activities.		999,331
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences		(154)
Net Change in Net Position of Governmental Activities		$ 822,751

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE ENTITY

Description of the Educational Service Center:

The Gallia-Vinton Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a County Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The Center is an administrative entity providing supervision and certain other services to the local school districts located in Gallia and Vinton Counties and two local school districts located in Jackson County. It currently operates under a Governing Board form of government consisting of three (3) members elected from Vinton County and four (4) members elected from Gallia County.

Reporting Entity:

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2018, the Center had no component units.

The following jointly governed organizations, which perform activities within the Center's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the Center is not financially accountable for these entities nor are they fiscally dependent on the Center.

Metropolitan Educational Technology Association (META) Solutions
Gallia-Jackson-Vinton Joint Vocational School District
Ohio Coalition of Equity and Adequacy of School Funding

The Center also participates in one public entity risk pool:
Ohio School Boards Association Workers' Compensation Group Rating Program

These jointly governed organizations and the public entity risk pool are presented in Note 10 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds:

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

> ***General Fund*** **–** The General Fund is the general operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the Center for any purpose provided it is expended or transferred according to the school laws of Ohio.
>
> ***Miscellaneous Federal Grants Fund*** **–** The Miscellaneous Federal Grants Fund is used to account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere. The major source of revenue for this fund is grant monies received from various federal sources.

The other governmental funds of the Center account for grants and other resources whose use is restricted to a particular purpose.

B. Basis of Presentation

The Center’s basic financial statements consist of government-wide 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 Center as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Fund Financial Statements*:**

During the year, the Center segregates transactions related to certain 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 Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting:

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows and deferred inflows of resources, and all liabilities associated with the operation of the Center are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows/inflows related to net pension and other postemployment benefit liabilities, and the recording of net pension and other postemployment benefit liabilities.

Revenues – Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and “available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements that specify the year when the resources are required to be used or the fiscal year when use is first permitted. Eligibility requirements also include matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, tuition, and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Deferred Inflows of Resources - Deferred outflows of resources represent a consumption of net position and other postemployment benefit that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center reports a deferred outflow of resources for pensions and other postemployment benefits. The deferred outflows of resources related to the pensions and other postemployment benefits are explained in Note 6 and Note 7. The Center also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts normally would consist of intergovernmental receivables which are not collected in the available period, pensions, and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to pensions and other postemployment benefits. Deferred inflows of resources related to pensions and other postemployment benefits are reported on the Statement of Net Position. (See Note 6 and Note 7)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The focus of modified accrual basis 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, except for the costs of accumulated unpaid vacation, personal leave and sick leave. They are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Cash and Cash Equivalents

Cash received by the Center is deposited into one bank account with individual fund balance integrity maintained. Balances of all funds are maintained in this account. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board policy. Each fund's interest of the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Interest earned amounted to $8,479 which was recorded in the General Fund. During fiscal year 2018, the Center did not have any investments.

E. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of $1,000. The Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Life
Furniture and Equipment	5-10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate its employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and the employees the Center has identified as probable of receiving payment in the future. The Center records an accrual for sick leave for all employees with six years or more of service. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the Center's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements and payments made in lieu of vacation. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

G. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

H. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net position include various grants and other resources restricted for various purposes. The 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. Of the Center's restricted net position, none are restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Center Board.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are 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 could be used.

J. Estimates

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

K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Special Item

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Center recorded a special item with regards to the transfer of a bus garage to the Gallipolis City School District.

N. 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 recorded in the year in which services are consumed.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the Center 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 monies 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;

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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

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

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

***Deposits**:*

Custodial credit risk is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,649,001 of the Center's bank balance of $1,899,001 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the Federal Deposit Insurance Corporation.

The Center does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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.

NOTE 4 - CAPITAL ASSETS

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

	Ending Balance 6/30/2017	Additions	Deletions	Ending Balance 6/30/2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Assets held on behalf of another	$ 780,220	$ -	$ (780,220)	$ -
Capital Assets Being Depreciated:				
Furniture and Equipment	114,633	101,785	-	216,418
Total Capital Assets Being Depreciated	114,633	101,785	-	216,418
Less Accumulated Depreciation:				
Furniture and Equipment	(84,552)	(30,903)	-	$ (115,455)
Total Accumulated Depreciation	(84,552)	(30,903)	-	(115,455)
Total Capital Assets Being Depreciated, Net	30,081	70,882	-	100,963
Governmental Activities Capital Assets, Net	$ 810,301	$ 70,882	$ (780,220)	$ 100,963

As of June 30, 2018, the ESC transferred title of an asset held on behalf of the Gallipolis City School District. The ESC entered into an agreement with the City School District in the prior fiscal year to obtain a grant on their behalf to construct a Central Transportation Center.

Depreciation expense was charged to governmental functions as follows:

Depreciation	
Support Services:	
Pupils	$ 315
Instructional Staff	19,754
Administration	2,224
Fiscal	2,091
Operation and Maintenance of Plant	6,519
Total Depreciation Expense	$ 30,903

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the Center contracted with The Grange Mutual Casualty Company for property insurance coverage. The policies include a $500 deductible.

Professional and general liability is protected by the Schools of Ohio Risk Sharing Authority with a $15,000,000 single occurrence limit with a $17,000,000 aggregate and no deductible.

The Center pays the State Workers' Compensation System a premium based on a rate per $100 salaries. This rate is calculated based on accident history and administrative costs.

The Center has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

NOTE 5 - RISK MANAGEMENT (Continued)

B. Workers Compensation

For the fiscal year 2018, the Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The Center provides health, major medical and prescription drug for all eligible employees through Medical Mutual Insurance Company. The Center provides dental insurance for all eligible employees through Oasis Dental Trust Insurance Company. The Center pays monthly premiums of $701.66 for individual coverage and $1,755.88 for family coverage. Premiums are paid from the same funds that pay the employees' salaries. Employees who choose family coverage must pay any amount exceeding an annual cap.

The Center provides life insurance and accidental death and dismemberment insurance to some employees through Coresource Life Insurance Company in the amount of $25,000 for classified employees, $20,000 for certified employees, and twice the salary amount for each administrator with a maximum coverage of $181,000.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year in included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

The Center's contractually required contribution to SERS was $107,930 for fiscal year 2018. Of this amount $1,087 is reported as an intergovernmental payable.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS Ohio was $245,319 for fiscal year 2018. Of this amount $44,141 is reported as an intergovernmental payable.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension liability reported as of June 30, 2018 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 Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0232212%	0.01478220%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0254933%	0.01871859%	
Change in Proportionate Share	-0.0022721%	-0.00393639%	
Proportion of the Net Pension Liability	$1,387,415	$3,511,543	$4,898,958
Pension Expense (Gain)	$190,321	($1,002,181)	($811,860)

At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$59,709	$135,600	$195,309
Difference from a change in proportion and differences between Center contributions and proportionate share of contributions	411,908	1,971,222	2,383,130
Changes of assumptions	78,764	768,013	846,777
Center contributions subsequent to the measurement date	107,930	245,319	353,249
Total	$658,311	$3,120,154	$3,778,465

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$0	$28,302	$28,302
Differences between projected and actual investment earnings	6,586	115,885	122,471
Difference from a change in proportion and differences between Center contribtuions and proportionate share of contributions	102,204	1,065,886	1,168,090
Total	$108,790	$1,210,073	$1,318,863

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$353,249 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$300,925	$513,532	$814,457
2020	182,005	670,961	852,966
2021	(8,997)	649,925	640,928
2022	(32,342)	(169,656)	(201,998)
Total	$441,591	$1,664,762	$2,106,353

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS (Continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

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

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

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

Sensitivity of the 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	$1,925,372	$1,387,415	$936,767

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. 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 Ohio's 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% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the 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 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%)
Center's proportionate share of the net pension liability	$5,033,678	$3,511,543	$2,229,373

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, none of the members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

NOTE 7 – DEFINED BENEFIT OPEB PLANS

Net Other Postemployment Benefits (OPEB) Liability

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

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

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Net Other Postemployment Benefits (OPEB) Liability (Continued)

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

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

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

School Employees Retirement System

Health Care Plan Description - The Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 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, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the Center's surcharge obligation was $13,039.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was $17,035 for fiscal year 2018.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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 Center's proportion of the net OPEB liability was based on the Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.02561110%	0.01871859%	
Proportion of the Net OPEB Liability Current Measurement Date	0.02348040%	0.01478220%	
Change in Proportionate Share	-0.00213070%	-0.00393639%	
Proportionate Share of the Net OPEB Liability	$630,152	$576,747	$1,206,899
OPEB Expense (Gain)	$18,594	($206,065)	($187,471)

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability

At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$0	$33,293	$33,293
Center contributions subsequent to the measurement date	17,035	0	17,035
Total	$17,035	$33,293	$50,328

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between projected and actual investment earnings	$1,664	$24,652	$26,316
Changes of assumptions	59,798	46,459	106,257
Difference from a change in proportion and differences between Center contribtuions and proportionate share of contributions	44,581	180,445	225,026
Total	$106,043	$251,556	$357,599

$17,035 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($38,234)	($38,431)	($76,665)
2020	(38,234)	(38,431)	(76,665)
2021	(34,359)	(38,431)	(72,790)
2022	4,784	(38,431)	(33,647)
2023	0	(32,268)	(32,268)
Thereafter	0	(32,271)	(32,271)
Total	($106,043)	($218,263)	($324,306)

Actuarial Assumptions - SERS

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

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

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (Continued)

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, 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 price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. 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, 7.50 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 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US 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 discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure 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 System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 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 20-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 Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Centert's proportionate share of the net OPEB liability	$760,989	$630,152	$526,496

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
Center's proportionate share of the net OPEB liability	$511,321	$630,152	$787,427

NOTE 7 – DEFINED BENEFIT OPEB PLANS (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	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 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)	0.0 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 are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 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 premium reimbursements was extended to January 2020.

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

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

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
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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 Ohio 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 20-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 20-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 20-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 Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount and 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.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Center's proportionate share of the net OPEB liability	$774,273	$576,747	$420,636

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	$400,699	$576,747	$808,447

NOTE 8 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month and may accumulate up to 15 days per year. Upon retirement, after ten (10) years of service, any employee will receive payment for one-fourth of accrued sick leave up to a maximum of fifty (50) days.

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Center during fiscal year 2018 were as follows:

	Balance Outstanding At June 30, 2017*	Additions	Deletions	Balance Outstanding At June 30, 2018	Amount Due in One Year
Net Pension Liability:					
STRS	$6,265,676	$0	$2,754,133	$3,511,543	$0
SERS	1,865,874	0	478,459	1,387,415	0
Total Net Pension Liability	8,131,550	0	3,232,592	4,898,958	0
OPEB Liability:					
STRS	1,001,075	0	424,328	576,747	$0
SERS	730,011	0	99,859	630,152	0
Total OPEB Liability	1,731,086	0	524,187	1,206,899	0
Compensated Absences	2,681	198,578	198,424	2,835	1,690
Total Long-Term Liabilities	$9,865,317	$198,578	$3,955,203	$6,108,692	$1,690

* As restated for GASB 75, see Note 14 for additional information.

Compensated absences will be paid from the fund from which the employee is paid with the General Fund being the primary fund to make such payments.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS & PUBLIC ENTITY RISK POOL

A. Jointly Governed Organizations

Metropolitan Educational Technology Association Solutions **–**META Solutions is is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Center paid META $62 for services provided during the fiscal year. $5,096 was paid during the prior year for fiscal year 2018 services. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Gallia-Jackson-Vinton Joint Vocational School District **–** Gallia-Jackson-Vinton Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School, Stephanie Rife, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

Ohio Coalition of Equity and Adequacy of School Funding – The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionally of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of $.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of $.50 per pupil for K-12 districts and educational service center pay dues of $.05 per pupil. The Coalition is not dependent on the continued participation of the Center and the Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2018, the Center paid $507 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

B. Public Entity Risk Pool

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

NOTE 11 - CONTINGENCIES

Grants:

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2018, if applicable, cannot be determined at this time.

Litigation:

The Center is not currently party to any legal proceedings

NOTE 12 – RECEIVABLES

Receivables at June 30, 2018, consisted of accounts and intergovernmental receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Major Fund:	
General Fund	$406,225

NOTE 13 – FUND BALANCES

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

Fund Balances	General	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
Restricted for				
Other Purposes	$ -	$ -	$ 4	$ 4
Total Restricted	-	-	4	4
Assigned to				
Other Purposes	$ 130,920	$ -	$ -	$ 130,920
Unassigned	1,873,690	-	-	1,873,690
Total Fund Balances	$ 2,004,610	$ -	$ 4	$ 2,004,614

NOTE 14 – NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For the fiscal year ended June 30, 2018, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the Center and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, July 1, 2017-As previously stated	($954,859)
Center Share of Beginning Plan Net OPEB Liability	(1,731,086)
Center Share of 2017 Employer Contributions	12,410
Net position, July 1, 2017-As restated	($2,673,535)

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the Center.

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 (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the Center.

Gallia-Vinton Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Years

	2018	2017	2016	2015	2014
Total plan pension liability	$19,588,417,687	$19,770,708,121	$18,503,280,961	$17,881,827,171	$17,247,161,078
Plan net position	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
Center's proportion of the net pension liability	0.023221%	0.0254933%	0.0131821%	0.0112320%	0.0039200%
Center's proportionate share of the net pension liability	$ 1,387,415	$ 1,865,874	$ 752,183	$ 568,445	$ 233,110
Center's covered-employee payroll	$ 775,114	$ 791,729	$ 377,367	$ 346,684	$ 115,224
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.99%	235.67%	199.32%	163.97%	202.31%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

Gallia-Vinton Educational Service Center

Required Supplementary Information

Schedule of the Center's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Five Years

	2018	2017	2016	2015	2014
Total plan pension liability	$ 96,126,440,462	$ 100,756,422,489	$ 99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
Center's proportion of the net pension liability	0.01478220%	0.01871859%	0.00705723%	0.00820762%	0.00820762%
Center's proportionate share of the net pension liability	$ 3,511,543	$ 6,265,676	$ 1,950,412	$ 1,996,377	$ 2,378,071
Center's covered-employee payroll	$ 1,625,121	$ 1,969,557	$ 736,307	$ 903,100	$ 699,054
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.08%	318.13%	264.89%	221.06%	340.18%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.
Amounts presented as of the Center's measurement date which is the prior fiscal year.

Gallia-Vinton Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 107,930	$ 108,516	$ 110,842	$ 52,303	$ 45,693	$ 15,947	$ 9,832	$ 14,669	$ 25,352	$ 27,924
Contributions in relation to the contractually required contribution	(107,930)	(108,516)	(110,842)	(52,303)	(45,693)	(15,947)	(9,832)	(14,669)	(25,352)	(27,924)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center's covered-employee payroll	$ 799,481	$ 775,114	$ 791,729	$ 377,367	$ 346,684	$ 115,224	$ 73,100	$ 116,698	$ 187,238	$ 283,780
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%

Gallia-Vinton Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 245,319	$ 227,517	$ 275,738	$ 103,083	$ 117,403	$ 90,877	$ 71,881	$ 56,603	$ 54,074	$ 65,150
Contributions in relation to the contractually required contribution	(245,319)	(227,517)	(275,738)	(103,083)	(117,403)	(90,877)	(71,881)	(56,603)	(54,074)	(65,150)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Center covered-employee payroll	$ 1,752,279	$ 1,625,121	$ 1,969,557	$ 736,307	$ 903,100	$ 699,054	$ 552,931	$ 435,408	$ 415,954	$ 501,154
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Gallia-Vinton Educational Service Center

Required Supplementary Information

Schedule of the Center's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Two Years

	2018	2017
Total plan OPEB liability	$ 3,065,846,821	$ 3,220,574,434
Plan net position	382,109,560	370,204,515
Net OPEB liability	2,683,737,261	2,850,369,919
Center's proportion of the net OPEB liability	0.02348040%	0.02561110%
Center's proportionate share of the net OPEB liability	$ 630,152	$ 730,011
Center's covered-employee payroll	$ 775,114	$ 791,729
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	81.30%	92.20%
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 Center's measurement
date which is the prior fiscal year.

Gallia-Vinton Educational Service Center

Required Supplementary Information

Schedule of the Center's Proportionate Share of the Net OPEB Liability

State Teachers Retirement System of Ohio

Last Two Years

	2018	2017
Total plan OPEB liability	$ 7,377,410,000	$ 8,533,654,000
Plan net position	3,475,779,000	3,185,628,000
Net OPEB liability	3,901,631,000	5,348,026,000
Center's proportion of the net OPEB liability	0.01478220%	0.01871859%
Center's proportionate share of the net OPEB liability	$ 576,747	$ 1,001,075
Center's covered-employee payroll	$ 1,625,121	$ 1,969,557
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	35.49%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%	37.33%

(1) Information prior to 2017 is not available.
Amounts presented as of the Center's measurement date which is the prior fiscal year.

Gallia-Vinton Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
School Employees Retirement System of Ohio
Last Three Years

	2018	2017	2016
Contractually required contribution	$ 17,035	$ 12,410	$ 12,000
Contributions in relation to the contractually required contribution	(17,035)	(12,410)	(12,000)
Contribution deficiency (excess)	$ -	$ -	$ -
Center's covered-employee payroll	$ 799,481	$ 775,114	$ 791,729
Contributions as a percentage of covered employee payroll	2.13%	1.60%	1.52%

(1) Information prior to 2016 is not available.

Gallia-Vinton Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
State Teachers Retirement System of Ohio
Last Three Years

	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Center covered-employee payroll	$ 1,752,279	$ 1,625,121	$ 1,969,557
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

Gallia-Vinton Educational Service Center

Schedule of Revenues, Expenditures and Changes

In Fund Balance - Budget and Actual (Budget Basis)

General Fund

For the Fiscal Year Ended June 30, 2018

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Over/(Under)
REVENUES:				
Intergovernmental	$ 940,000	$ 1,327,819	$ 1,327,819	$ -
Interest	10,000	8,479	8,479	-
Contract Services	145,462	145,462	145,462	-
Customer Sales and Services	3,728,832	3,343,779	3,747,560	403,781
Miscellaneous	10,000	8,755	8,755	-
Total Revenues	4,834,294	4,834,294	5,238,075	403,781
EXPENDITURES:				
Current:				
Instruction:				
Regular	554,222	554,222	554,400	(178)
Support Services:				
Pupil	408,761	408,761	390,586	18,175
Instructional Staff	2,360,609	2,360,609	2,369,839	(9,230)
Board of Education	38,430	38,430	32,399	6,031
Administration	1,014,727	1,014,727	886,304	128,423
Fiscal	174,400	174,400	170,808	3,592
Operation and Maintenance of Plant	18,250	18,250	54,570	(36,320)
Pupil Transportation	378,329	378,329	539,552	(161,223)
Central	170,367	170,367	139,532	30,835
Operation of Non-instructional Services	16,277	16,277	18,202	(1,925)
Capital Outlay	74,000	74,000	101,785	(27,785)
Total Expenditures	5,208,372	5,208,372	5,257,977	(49,605)
Net Change in Fund Balance	(374,078)	(374,078)	(19,902)	354,176
Fund Balance at Beginning of Year	1,602,591	1,602,591	1,602,591	-
Fund Balance at End of Year	$ 1,228,513	$ 1,228,513	$ 1,582,689	$ 354,176

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center

Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Miscellaneous Federal Grant Fund
For the Fiscal Year Ended June 30, 2018

	Budget Amounts			Variance With
	Original	Final	Actual	Final Budget Over/(Under)
REVENUES:				
Intergovernmental	$ 746,194	$ 746,194	$ 746,194	$ -
Total Revenues	746,194	746,194	746,194	-
EXPENDITURES:				
Current:				
Instruction:				
Regular	238,519	238,519	238,519	-
Support Services:				
Instructional Staff	225,425	225,425	225,425	-
Administration	127,642	127,642	127,642	-
Fiscal	22,500	22,500	22,500	-
Pupil Transportation	72,332	72,332	72,332	-
Central	50,500	50,500	50,500	-
Operation of Non-instructional Services	9,276	9,276	9,276	-
Total Expenditures	746,194	746,194	746,194	-
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	$ -	$ -	$ -	$ -

See accompanying notes to supplementary information.

Note 1 – Budgetary Process

The Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Center's Board does follow the budgetary process for control purposes.

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

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

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

Note 2 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – for the General Fund and the Miscellaneous Federal Grant Special Revenue Funds 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 GAAP basis are that:

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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

4. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).

Note 2 – Budgetary Basis of Accounting *(Continued)*

The following table summarizes the adjustments necessary to reconcile the GAAP financial statements and budgetary basis schedules for the General Fund and the Miscellaneous Federal Grants Special Revenue Fund.

Net Changes in Fund Balances

	General	Miscellaneous Federal Grants
GAAP Basis	$ 356,758	$ 293
Adjustments:		
Revenue Accruals	(215,792)	-
Expenditure Accruals	122,926	(293)
Encumbrances	(283,794)	
Budget Basis	$ (19,902)	$ -

GALLIA-VINTON EDUCATIONAL SERVICE CENTER
GALLIA COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Ohio Department of Education			
Twenty-First Century Community Learning Centers	84.287	2018	$700,000
Mathematics and Science Partnerships	84.366	2018	46,194
Title I Grants to Local Educational Agencies	84.010	2018	500
Total U.S. Department of Education			746,694
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the Gallia County Department of Job and Family Services			
Temporary Assistance for Needy Families	93.558	G-SFY18-0013	281,611
		G-SFY18-0014	456,000
		G-SFY19-0013	250,463
Total Temporary Assistance for Needy Families			988,074
Total U.S. Department of Health and Human Services			988,074
Total Expenditures of Federal Awards			**$1,734,768**

The accompanying notes are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE 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 Gallia-Vinton Educational Service Center (the Center) 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, changes in net position, or cash flows of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – PRIOR YEAR PROGRAM EXPENDITURE ADJUSTMENTS

The Gallia County Department of Job and Family Services (GCDJFS) sub-awarded to the Gallia-Vinton Educational Service Center (the Center), Federal funding from the U.S. Department of Health and Human Services, passed through the Ohio Department of Job and Family Services. This program was administered at the Center level as a Summer Advantage program. The grant period for the sub-award was April 15, 2017 to September 30, 2017. During the fiscal year ended June 30, 2017, expenditures for the Summer Advantage grant in the amount of $265,019 were not reported on the Center's federal schedule. Therefore, these expenditures affect the Center's 2017 fiscal-year program expenditures previously reported as follows:

Program	CFDA Number	Pass Through Number	2017 Federal Expenditures Previously Reported	2017 Adjustment Amount	Adjusted 2017 Federal Expenditures
Temporary Assistance for Needy Families	93.558	G-SFY18-0013/0014 G-SFY19-0013	$0	$265,019	$265,019

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

Gallia-Vinton Educational Service Center
Gallia County
P.O. Box 178
Rio Grande, Ohio 45674

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 the Gallia-Vinton Educational Service Center, Gallia 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 March 6, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider a material weakness. We consider Finding 2018-001 to be a material weakness.

Compliance and Other Matters

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

Center's Response to Findings

The Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not subject the Center's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 6, 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

Gallia-Vinton Educational Service Center
Gallia County
P.O. Box 178
Rio Grande, Ohio 45674

To the Governing Board:

Report on Compliance for Major Federal Program

We have audited the Gallia-Vinton Educational Service Center's, Gallia County, Ohio (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 the Center's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings and Questioned Costs 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 program.

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.

Basis for Qualified Opinion on Temporary Assistance for Needy Families

As described in Findings 2018-002 through 2018-006 in the accompanying Schedule of Findings and Questioned Costs, the Center did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-002	93.558	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles
2018-003	93.558	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles
2018-004	93.558	Temporary Assistance for Needy Families	Cash Management
2018-005	93.558	Temporary Assistance for Needy Families	Period of Performance
2018-006	93.558	Temporary Assistance for Needy Families	Reporting

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

Qualified Opinion on Temporary Assistance for Needy Families

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Temporary Assistance for Needy Families* paragraph, the Gallia-Vinton Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its Temporary Assistance for Needy Families Program for the year ended June 30, 2018.

Other Matters

The Center's responses to our noncompliance findings are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not subject the Center's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-004 through 2018-006 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003 to be a significant deficiency.

The Center's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not subject the Center's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2019

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
2 C.F.R. § 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)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	Yes
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	CFDA #93.558 - Temporary Assistance for Needy Families
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

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

FINDING NUMBER 2018-001 (Continued)

Material Weakness (Continued)

Intergovernmental receipts for the Temporary Assistance for Needy Families (TANF) grant were posted as charges for services receipts and commingled with other charges for services receipts in the General Fund, resulting in a reclassifying adjustment of $1,006,000. Additionally, the receivable for this grant was overstated and also recorded as charges for services, resulting in an adjustment to reduce charges for services by $506,520, increase intergovernmental revenue by $378,604 and reduce the intergovernmental receivable of $127,916.

These misstatements were caused by confusion over proper recording. As a result, significant adjustments with which the Center's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

To ensure the Center's financial statements and notes to the financial statements are complete and accurate, Federal grant receipts and expenditures should be posted in a separate special cost center with receipts posted as intergovernmental revenue. This will also allow the Center to correctly record the receivable related to the grant.

Official's Response:

See the Corrective Action Plan on page 77.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2018-002		
CFDA Title and Number	Temporary Assistance for Needy Families – CFDA # 93.558		
Federal Award Identification Number / Year	G-SFY18-0013/14 G-SGFY19-0013		
Federal Agency	U.S. Department of Health and Human Services		
Compliance Requirement	B. Allowable Costs/Cost Principles		
Pass-Through Entity	Gallia County Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-002 (Continued)

Noncompliance and Material Weakness – Allowable Costs/Cost Principles

2 C.F.R. 200, Subpart E, § 200.430(a) states compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation - fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

2 C.F.R. § 200.430(h)(8)(i) provides *Standards for Documentation of Personnel Expenses:*

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
(ii) Be incorporated into the official records of the non-Federal entity;
(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
(v) Comply with the established accounting policies and practices of the non-Federal entity; and
(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-002 (Continued)

Noncompliance and Material Weakness – Allowable Costs/Cost Principles (Continued)

The Center utilized its own employees as consultants for the development and implementation of the Temporary Assistance to Needy Families (TANF) subgrant. However, these employees worked on a variety of projects for several school districts throughout the year. The Center Superintendent maintained a calendar which documented her time and dates when Center employees were assigned to the TANF grant. However, this documentation did not encompass all activities of the assigned employees. The Center employees did not maintain their own time and effort documentation to support the distribution of the employees' salaries among specific grants, activities, or cost objectives. The lack of adequate support could result in questioned costs.

In addition, it was noted that amounts charged to the Healthy Kickstart grant for Center employees' salaries and benefits did not agree to the recalculated daily rate. Although in this instance it appeared that the net effect resulted in an understatement of salaries charged to the Healthy Kickstart grant, the lack of adequate support for daily rates could result in questioned costs.

All employees compensated for personal expenses should maintain documentation that complies with the *Standards for Documentation of Personnel Expenses* outlined above. Salaries and fringe benefits charged to grants should be supported by adequate documentation for the amounts charged.

Official's Response:

See the Corrective Action Plan on page 77.

Finding Number	2018-003		
CFDA Title and Number	Temporary Assistance for Needy Families – CFDA # 93.558		
Federal Award Identification Number / Year	G-SFY18-0013/14 G-SGFY19-0013		
Federal Agency	U.S. Department of Health and Human Services		
Compliance Requirement	B. Allowable Costs/Cost Principles		
Pass-Through Entity	Gallia County Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Noncompliance and Significant Deficiency – Allowable Costs/Cost Principles

2 C.F.R. 200, Subpart E, § 200.403(g) provides that costs must be adequately documented in order to be allowable under Federal awards.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-003 (Continued)

Noncompliance and Significant Deficiency – Allowable Costs/Cost Principles (Continued)

Check number 56411 written to McDonald's on September 22, 2017, in the amount of $1,700 was for the purchase of 170 $10 McDonald's gift cards. Per the Center Superintendent, these cards were provided to teachers of special needs students as a TANF Transition Camp activity to assist the students in ordering their own lunches. The teachers received one card per student. However, no documentation was maintained to record the distribution to the teachers.

In addition, check number 57553 written to Walmart on June 18, 2018, in the amount of $1,997.59 included the purchase of 56 $25 Walmart gift cards in the amount of $1,400.00. Per the Center Superintendent, these cards were provided as incentives for students attending TANF Career Connections activities. Students who attended five sessions were awarded with a $25 Walmart gift card. However, no documentation was maintained to record the distribution to the students.

Failure to record the distribution of gift cards and other incentives could result in questioned costs.

A policy should be implemented documenting the procedures for the distribution of gift cards and other incentives. At a minimum, distributions of gift cards and other incentives should be documented with a sign off sheet recording the item received and the date and signature of the person receiving the distribution.

Official's Response:

See the Corrective Action Plan on page 77.

Finding Number	2018-004		
CFDA Title and Number	Temporary Assistance for Needy Families – CFDA # 93.558		
Federal Award Identification Number / Year	G-SFY18-0013/14 G-SGFY19-0013		
Federal Agency	U.S. Department of Health and Human Services		
Compliance Requirement	C. Cash Management		
Pass-Through Entity	Gallia County Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-004 (Continued)

Noncompliance and Material Weakness – Cash Management

45 C.F.R. § 92.20(b)(7) states procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Job and Family Services Fiscal Administrative Procedures Manual section 5101:9-7-03 (B)(1) states that cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The County Department of Job and Family Services shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten day average for all federal and state operating allocations. As a subrecipient of the County, the Center should follow these same procedures.

- An invoice from Shoe Sensation in the amount of $1,928 was included in the draw request to Gallia County Job and Family Services (GCJFS) for TANF Summer Advantage on August 25, 2017. The Center received reimbursement from GCJFS on September 5, 2017. Disbursement to Shoe Sensation was not completed until November 8, 2017.
- An invoice from Nick Scott in the amount of $3,000.00 was included in the draw request to Gallia County Job and Family Services (GCJFS) for TANF Healthy Kickstart on August 25, 2017. The Center received reimbursement from GCJFS on September 5, 2017. Disbursement to Nick Scott was not completed until September 27, 2017.
- An invoice from Executive Advertising in the amount of $589 was included in the draw request to Gallia County Job and Family Services (GCJFS) for TANF Summer Advantage on September 26, 2017. The Center received reimbursement from GCJFS on October 10, 2017. Disbursement to Executive Advertising was not completed until October 30, 2017.
- An invoice from AAA in the amount of $1,389.60 was included in the draw request to Gallia County Job and Family Services (GCJFS) for TANF Healthy Kickstart on October 31, 2017. The Center received reimbursement from GCJFS on November 13, 2017. Disbursement to AAA was not completed until December 13, 2017.
- An invoice from AAA in the amount of $1,513.00 was included in the draw request to Gallia County Job and Family Services (GCJFS) for TANF Healthy Kickstart on October 31, 17. The Center received reimbursement from GCJFS on November 13, 2017. Disbursement to AAA was not completed until February 6, 2018.
- An invoice from Gallia County Local School District in the amount of $33,250.00 was included in the draw request to Gallia County Job and Family Services (GCJFS) for TANF Healthy Kickstart on October 31, 2017. The Center received reimbursement from GCJFS on November 13, 2017. Disbursement to Gallia County Local School District was not completed until February 6, 2018.

Disbursements of funds exceeding the ten day average could result in questioned costs for amounts paid outside of the period of availability.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-004 (Continued)

Noncompliance and Material Weakness – Cash Management (Continued)

The Center should establish a separate special cost center to track activity related to the TANF grant. The Treasurer and Superintendent should then review the special cost center fund balances on the FINDET report periodically to ensure that all federal receipts are expended within the required period.

Official's Response:

See the Corrective Action Plan on page 77.

Finding Number	2018-005		
CFDA Title and Number	Temporary Assistance for Needy Families – CFDA # 93.558		
Federal Award Identification Number / Year	G-SFY18-0013/14 G-SGFY19-0013		
Federal Agency	U.S. Department of Health and Human Services		
Compliance Requirement	H. Period of Performance		
Pass-Through Entity	Gallia County Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Questioned Costs, Noncompliance Citation and Material Weakness – Period of Performance

Pursuant to 45 C.F.R. § 92.23, the subgrantee and its subgrantee(s) may charge to the award only costs resulting from obligations incurred during the funding period of the federal and state awards noted in the Recitals to this Subgrant Agreement and for the term specified in Article IV of this Subgrant Agreement, unless carryover of these balances is permitted. All obligations incurred under the award must be liquidated no later than ninety (90) days after the end of the funding period, pursuant to federal law.

The TANF Healthy Kickstart fiscal year 2018 grant application had an initial substantially approved date of July 1, 2017 and a project end date of September 30, 2017 with a liquidation period of 90 days. The Center charged $19,985 in TANF Healthy Kickstart expenditures to this program during fiscal year 2018 which were obligated/paid prior to this stated period of performance. This resulted in questioned costs of $19,985 for expenditures obligated/paid prior to the stated period of performance. The Center also charged $34,763 in TANF Healthy Kickstart expenditures to this program during fiscal year 2018 which were paid after the 90 day liquidation period although obligated during the period of performance. In addition, there was an invoice in the amount of $1,683 submitted to the grantor for reimbursement as being paid which actually remained unpaid at the end of the audit period.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-005 (Continued)

Questioned Costs, Noncompliance Citation and Material Weakness – Period of Performance (Continued)

The TANF Summer Advantage fiscal year 2019 grant application had an initial substantially approved date of April 5, 2018 and a project end date of September 30, 2018. The Center charged $26,523 in TANF Summer Advantage expenditures to this program during fiscal year 2018 which were obligated/paid prior to this stated period of performance. This resulted in questioned costs of $26,523 for expenditures obligated/paid prior to the stated period of performance

Failure to obligate federal expenditures within the approved period of performance and liquidate expenditures within the approved liquidation period could result in unallowable expenditures or activities being funded with federal funds and did result in questioned costs totaling $46,508.

The Center should establish a separate cost center for the TANF grant receipts and expenditures. The Center should monitor federal expenditures to ensure all amounts charged to federal programs are obligated within the proper period of performance as outlined in the grant application.

Official's Response:

See the Corrective Action Plan on page 77.

Finding Number	2018-006		
CFDA Title and Number	Temporary Assistance for Needy Families – CFDA # 93.558		
Federal Award Identification Number / Year	G-SFY18-0013/14 G-SGFY19-0013		
Federal Agency	U.S. Department of Health and Human Services		
Compliance Requirement	L. Reporting		
Pass-Through Entity	Gallia County Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Noncompliance and Material Weakness - Reporting

2 C.F.R. § 200.302(b) includes the following auditee responsibilities.

- Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2018-006 (Continued)

Noncompliance and Material Weakness – Reporting (Continued)

- Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance.

Management is responsible for developing internal control procedures which provide reasonable assurance the Center's Schedule of Expenditures of Federal Awards (the Schedule) is complete and accurate. Sound internal controls require a review of the Schedule be performed and documented to verify the information reported is complete and accurate before finalizing the Schedule.

The Center did not create or maintain a special cost center to account for the activities of the TANF grant program. Grant program funds expended were commingled with other General Fund expenditures. This resulted in an overstatement on the Schedule of Expenditures of Federal Awards in the amount of $210,043.

In addition, testing of the TANF grant program identified additional errors that resulted in a misstatement of the prior year Schedule of Expenditures of Federal Awards in the amount of $265,019 which is disclosed in the Notes to the Schedule of Expenditures of Federal Awards. This prior year error did not result in additional testing being required over the prior year Schedule.

The Center should establish a separate special cost center for each federal program in order to be able to segregate the funds received and to ensure that the program funds are expended from the proper grants. In addition, the Treasurer should perform a final review over the Schedule of Expenditures of Federal Awards to help minimize the amount of errors.

Official's Response:

See the Corrective Action Plan on page 77.

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GALLIA-VINTON
EDUCATIONAL SERVICE CENTER
P.O. Box 178 ● Rio Grande, Ohio 45674-0178 ● (740) 245-0593 ● fax (740) 245-0596

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Beginning in March 2019, any TANF funds received will be placed in a special cost center for better tracking of funds.	June 30, 2019	Jay Carter, Treasurer
2018-002	Regular ESC employees working in the TANF program will be required to keep a time and effort form to track the days charged to the grant.	April 1, 2019	Jay Carter, Treasurer & Denise Shockley, Superintendent
2018-003	Pay all TANF invoices in the grant disbursement period.	September 1, 2019	Jay Carter, Treasurer
2018-004	No charges will be made to GCJFS prior to the disbursement period.	March 1, 2019	Denise Shockley, Superintendent
2018-005	All TANF funds will be expended within the grant liquidation period.	September 1, 2019	Jay Carter, Treasurer & Denise Shockley, Superintendent
2018-006	A special cost center will be used for all TANF funds.	March 1, 2019	Jay Carter, Treasurer.

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OHIO AUDITOR OF STATE
KEITH FABER

GALLIA/ VINTON EDUCATIONAL SERVICE CENTER

GALLIA 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