COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2017

Dave Yost • Auditor of State

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, Ohio 44432

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 Columbiana County Educational Service Center, Columbiana County, Ohio (the Center), as of and for the year ended June 30, 2017, 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 Centers' 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 opinion.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The budgetary comparisons for the General and Straight A Grant Funds present additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 12, 2018

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The management's discussion and analysis of the Columbiana County Educational Service Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Center's financial performance; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased $599,845 from a deficit net position of $15,597,358 to a deficit net position of $16,197,203.

- General revenues accounted for $336,459 in revenue or 3.11% of total revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for $10,495,950 in revenue or 96.89% of total revenues of $10,832,409.

- The Center had $11,432,254 in expenses related to governmental activities; $10,495,950 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $336,459 were inadequate to provide for these programs.

- The Center's only major governmental funds are the General Fund and the Straight A fund. The General Fund had $9,339,269 in revenues and $9,873,743 in expenditures. During fiscal year 2017, the General Fund's fund balance decreased $447,173 from a fund balance of $201,939 to a deficit fund balance of $245,234.

- The Straight A fund had $566,637 in revenues and $603,307 in expenditures. During fiscal year 2017, the Straight A fund's fund balance decreased $36,670 from $73,633 to $36,963.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the Center, the general fund and Straight A fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did the Center do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's net position and change in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center's facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

The Center's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's major governmental funds begins on page 13. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's only major governmental funds are the general fund and Straight A fund.

Governmental Funds

Most 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Fund

The Center maintains one proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Center's various functions. The Center's internal service fund accounts for a computer maintenance program. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the Center's Fiduciary Responsibilities

The Center acts in a trustee capacity as an agent for individuals. This activity is reported in an agency fund. The Center's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 26. The fiduciary activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-54 of this report.

Supplementary Information

The Center has presented budgetary comparison schedules for the General Fund and Straight A Fund as supplementary information on pages 56-59 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Center's net pension liability. The required supplementary information can be found on pages 62-68 of this report.

The Center as a Whole

The table below provides a summary of the Center's net position at June 30, 2017 and June 30, 2016.

Net Position

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and other assets	$ 1,070,268	$ 1,402,589
Capital assets, net	953,271	379,462
Total assets	2,023,539	1,782,051
Deferred outflows of resources		
Pension	4,096,623	2,094,619
Liabilities		
Current liabilities	1,057,429	1,022,947
Long-term liabilities:		
Due within one year	120,370	89,364
Due in more than one year:		
Net pension liability	20,246,618	16,585,040
Other amounts	471,812	401,455
Total liabilities	21,896,229	18,098,806
Deferred inflows of resources		
Pension	421,145	1,375,222
Net Position		
Net Investment in capital assets	868,825	379,462
Restricted	70,369	89,929
Unrestricted	(17,136,397)	(16,066,749)
Total net position	$ (16,197,203)	$ (15,597,358)

The Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires that net pension liability equals the Center's proportionate share of each plan's collective:

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $16,197,203.

At fiscal year end, capital assets represented 47.11% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The net investment in capital assets at June 30, 2017 was $868,825. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, $70,369, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $17,316,397. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The table below shows the changes in net position for governmental activities for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services and sales	$ 8,912,643	$ 9,536,924
Operating grants and contributions	1,583,307	1,169,491
General revenues:		
Grants and entitlements	327,180	310,365
Investment earnings	4,241	2,126
Miscellaneous	5,038	2,098
Total revenues	10,832,409	11,021,004

Change in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Expenses		
Program expenses:		
Instruction:		
Regular	$ 1,312,139	$ 1,600,469
Special	4,096,219	3,801,179
Support services:		
Pupil	3,194,381	2,547,014
Instructional staff	1,269,675	1,142,757
Board of education	41,938	36,786
Administration	448,410	476,144
Fiscal	332,766	295,495
Operations and maintenance	118,410	400,581
Pupil transportation	415,255	475,884
Central	110,702	81,440
Operation of non-instructional services:		
Other non-instructional services	91,930	71,906
Interest and fiscal charges	429	3,282
Total expenses	11,432,254	10,932,937
Change in net position	(599,845)	88,067
Net position (deficit) at beginning of year	(15,597,358)	(15,685,425)
Net position (deficit) at end of year	$ (16,197,203)	$ (15,597,358)

Governmental Activities

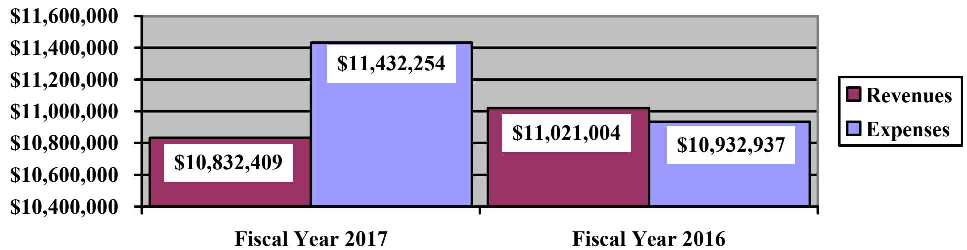
Net position of the Center's governmental activities decreased $599,845. Total governmental expenses of $11,432,254 were offset by program revenues of $10,495,950 and general revenues of $336,459. Program revenues supported 91.81% of the total governmental expenses.

The primary source of revenue for governmental activities is derived from charges for services and sales. This revenue source represents 82.28% of the total governmental revenues.

The largest expense of the Center is for instructional programs. Instruction expenses totaled $5,408,358 or 47.31% the total governmental expenses for fiscal year 2017.

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

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements and other general revenues of the Center.

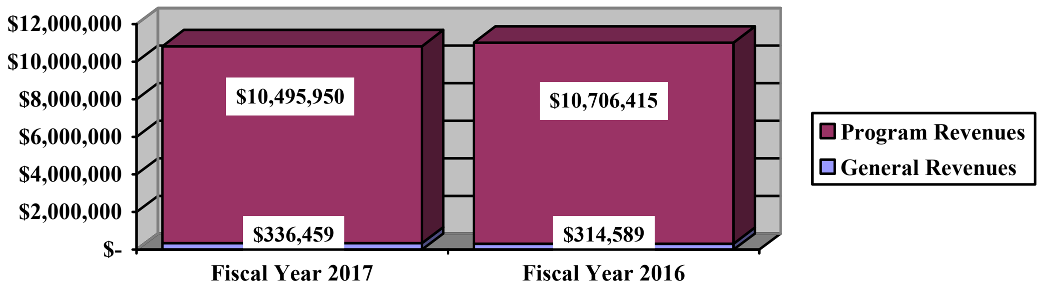
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses				
Instruction:				
Regular	$ 1,312,139	$ (102,165)	$ 1,600,469	$ 25,351
Special	4,096,219	(226,334)	3,801,179	133,749
Support services:				
Pupil	3,194,381	(324,754)	2,547,014	44,920
Instructional staff	1,269,675	(127,752)	1,142,757	18,617
Board of education	41,938	(41,938)	36,786	(36,786)
Administration	448,410	(45,842)	476,144	7,377
Fiscal	332,766	(332,766)	295,495	(295,495)
Operations and maintenance	118,410	(118,221)	400,581	(138,527)
Pupil transportation	415,255	88,962	475,884	86,199
Central	110,702	370,712	81,440	(407)
Operation of non-instructional services:				
Other non-instructional services	91,930	(75,777)	71,906	(68,238)
Interest and fiscal charges	429	(429)	3,282	(3,282)
Total expenses	$ 11,432,254	$ (936,304)	$ 10,932,937	$ (226,522)

For all governmental activities, program revenue support is 91.81% at June 30, 2017 and 97.93% at June 30, 2016. The Center's charges for services and sales are by far the primary support for the Center's students.

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

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined deficit fund balance of $216,001, which is less than last year's total fund balance of $278,054. The table below indicates the fund balance and the total change in fund balance as of June 30, 2017 and June 30, 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change	Percentage Change
General	$ (245,234)	$ 201,939	$ (447,173)	(221.44) %
Straight A	36,963	73,633	(36,670)	(49.80) %
Nonmajor governmental	(7,730)	2,482	(10,212)	(411.44) %
Total	$ (216,001)	$ 278,054	$ (494,055)	(177.68) %

General Fund

The Center's general fund balance decreased $447,173.

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

	2017 Amount	2016 Amount	Change	Percentage Change
Revenues				
Intergovernmental	$ 530,899	$ 513,462	$ 17,437	3.40 %
Tuition	8,140,080	8,525,132	(385,052)	(4.52) %
Earnings on investments	4,241	2,126	2,115	99.48 %
Services provided to other entities	656,766	1,082,267	(425,501)	(39.32) %
Other revenues	7,283	2,928	4,355	148.74 %
Total	$ 9,339,269	$ 10,125,915	$ (786,646)	(7.77) %
Expenditures				
Instruction	$ 4,236,466	$ 4,946,184	$ (709,718)	(14.35) %
Support services	5,474,625	5,185,220	289,405	5.58 %
Non-instructional services	72,067	71,163	904	1.27 %
Capital outlay	87,301	-	87,301	100.00 %
Debt service	3,284	199,876	(196,592)	(98.36) %
Total	$ 9,873,743	$ 10,402,443	$ (528,700)	(5.08) %

The overall revenues of the general fund decreased $786,646 or 7.77%. Tuition decreased $385,052 or 4.52% due to less students enrolling in the Center and fewer contracts with local school districts. Services provided to other entities decreased $425,501 or 39.32% due to less business with other entities. Other revenues increased $4,355 or 148.74% due to an increase in other local revenues.

The overall expenditures of the general fund decreased $528,700 or 5.08%. Instruction expenditures decreased $709,718 or 14.35% due to less regular expenditures. Debt service decreased $196,592 or 98.36% due to the Center paying off a loan in 2016.

Straight A Fund

The Straight A fund had $566,637 in revenues and $603,307 in expenditures. During fiscal year 2017, the Straight A fund's fund balance decreased $36,670 from $73,633 to $36,963.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the Center had $953,271 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	$ 101,900	$ 61,900
Land improvements	6,246	10,345
Buildings and improvements	440,910	280,571
Furniture and equipment	107,186	12,033
Vehicles	297,029	14,613
Total	$ 953,271	$ 379,462

The overall increase in capital assets of $573,809 is due to capital outlays of $611,882 being more than depreciation expense of $78,073.

See Note 8 to the basic financial statements for additional information on the Center's capital assets.

Debt Administration

The following table summarizes the loans payable and capital lease obligations outstanding at June 30, 2017 and June 30, 2016.

Outstanding Debt, at Year End

	Governmental Activities 2017	Governmental Activities 2016
Capital lease obligations	$ 84,446	$ -
Total	$ 84,446	$ -

See Notes 9 and 10 to the basic financial statements for additional information on the Center's debt administration.

Current Financial Related Activities

The Center relies heavily upon contracts with the Board of Developmental Disabilities; local, city, and exempted school districts within Columbiana, Jefferson and Mahoning Counties; and State foundation revenue and grants. The request for services from local, city, and exempted school districts, along with the Center's cash balance, provided the Center with the necessary funds to meet its operating expenses in fiscal year 2017. However, the future financial stability of the Center is not without concerns.

The current trend in recent biennium budgets produced by the Ohio Governor is to reduce funding to educational service centers. Legislation did pass a recent budget that kept the Center's funding for 2017 at the same level as it was in 2016. There are not any guarantees that this will hold true in future years.

The possibility of declining enrollment in Columbiana County remains a concern of the Center. State funding is based on average daily membership of Columbiana County school districts. Future declines in enrollment would have a direct impact on State revenues received by Columbiana County school districts and the amount of services they will need from the Center.

Each fiscal year, different services are needed by participating school districts. Therefore, the Center is constantly reviewing their program activity to provide appropriate services while maintaining a financially solvent operation.

The Center's systems of internal control and procedures are reviewed throughout the fiscal year by management to ensure a cost-efficient operation.

Columbiana County ESC applied and was approved to be a high performing ESC. This was to increase funding slightly in 2017, the legislators had to prorate the increase to stay within the ESC funding line item.

Contacting the Center's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Cindy Lengyel, Treasurer, Columbiana County Educational Service Center, 38720 Saltwell Road, Lisbon, Ohio 44432-8303.

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 351,617
Receivables:	
Accounts	530
Intergovernmental	675,542
Prepayments	42,579
Capital assets:	
Land	101,900
Depreciable capital assets, net	851,371
Capital assets, net	953,271
Total assets	2,023,539
Deferred outflows of resources:	
Pension - STRS	2,806,992
Pension - SERS	1,289,640
Total deferred outflows of resources	4,096,632
Liabilities:	
Accounts payable	106,468
Accrued wages and benefits payable	813,064
Intergovernmental payable	10,115
Pension and postemployment benefits	127,782
Long-term liabilities:	
Due within one year	120,370
Due in more than one year:	
Net pension liability (See Note 12)	20,246,618
Other amounts due in more than one year	471,812
Total liabilities	21,896,229
Deferred inflows of resources:	
Pension - SERS	421,145
Total deferred inflows of resources	421,145
Net position:	
Investment in capital assets	868,825
Restricted for:	
State funded programs	58,897
Federally funded programs	2,193
Other purposes	9,279
Unrestricted (deficit)	(17,136,397)
Total net position (deficit)	$ (16,197,203)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 1,312,139	$ 1,189,600	$ 20,374	$ (102,165)
Special	4,096,219	2,917,274	952,611	(226,334)
Support services:				
Pupil	3,194,381	2,755,825	113,802	(324,754)
Instructional staff	1,269,675	1,106,730	35,193	(127,752)
Board of education	41,938	-	-	(41,938)
Administration	448,410	402,568	-	(45,842)
Fiscal	332,766	-	-	(332,766)
Operations and maintenance	118,410	189	-	(118,221)
Pupil transportation	415,255	420,577	83,640	88,962
Central	110,702	104,438	376,976	370,712
Operation of non-instructional services:				
Other non-instructional services	91,930	15,442	711	(75,777)
Interest and fiscal charges	429	-	-	(429)
Total governmental activities	$ 11,432,254	$ 8,912,643	$ 1,583,307	(936,304)
		General revenues:		
		Grants and entitlements not restricted to specific programs		327,180
		Investment earnings		4,241
		Miscellaneous		5,038
		Total general revenues		336,459
		Change in net position		(599,845)
		Net position (deficit) at beginning of year		(15,597,358)
		Net position (deficit) at end of year		$ (16,197,203)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Straight A	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and cash equivalents	$ 331,533	$ -	$ 12,359	$ 343,892
Receivables:				
Accounts	530	-	-	530
Intergovernmental	402,648	125,158	147,736	675,542
Prepayments	32,079	10,500	-	42,579
Due from other funds	89,206	-	-	89,206
Total assets	$ 855,996	135,658	$ 160,095	$ 1,151,749
Liabilities:				
Accounts payable	$ 72,563	$ 33,261	$ 644	$ 106,468
Accrued wages and benefits payable	707,333	-	105,731	813,064
Compensated absences payable	16,178	-	-	16,178
Intergovernmental payable	8,591	21	1,503	10,115
Pension and postemployment benefits	113,535	-	14,247	127,782
Due to other funds	-	43,506	45,700	89,206
Total liabilities	918,200	76,788	167,825	1,162,813
Deferred inflows of resources:				
Intergovernmental revenue not available	3,044	21,907	-	24,951
Tuition revenue not available	179,986	-	-	179,986
Total deferred inflows of resources	183,030	21,907	-	204,937
Fund balances:				
Nonspendable:				
Prepaids	32,079	10,500	-	42,579
Restricted:				
Public school preschool	-	-	26	26
Special education	-	-	8,771	8,771
Other purposes	-	26,463	2,702	29,165
Unassigned (deficit)	(277,313)	-	(19,229)	(296,542)
Total fund balances	(245,234)	36,963	(7,730)	(216,001)
Total liabilities, deferred inflows and fund balances	$ 855,996	$ 135,658	$ 160,095	$ 1,151,749

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

Total governmental fund balances		$ (216,001)
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		953,271
Other long-term assets, such as accounts receivable, are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Accounts receivable	$ 179,986	
Intergovernmental receivable	24,951	
Total		204,937
An internal service fund is used by management to charge the costs of a rotary fund to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		7,725
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds.		
Deferred outflows of resources - pension	4,096,632	
Deferred inflows of resources - pension	(421,145)	
Net pension liability	(20,246,618)	
Total		(16,571,131)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(491,558)	
Capital lease obligations	(84,446)	
Total		(576,004)
Net position of governmental activities		$ (16,197,203)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

	General	Straight A	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	$ 8,140,080	-	$ -	$ 8,140,080
Earnings on investments	4,241	-	-	4,241
Services provided to other entities	656,766	-	-	656,766
Extracurricular	774	-	15,442	16,216
Contributions and donations	1,210	-	412	1,622
Other local revenues	5,299	-	-	5,299
Intergovernmental - intermediate	-	-	15,700	15,700
Intergovernmental - state	510,290	566,637	270,150	1,347,077
Intergovernmental - federal	20,609	-	513,645	534,254
Total revenues	9,339,269	566,637	815,349	10,721,255
Expenditures:				
Current:				
Instruction:				
Regular	1,225,816	-	21,122	1,246,938
Special	3,010,650	191,707	677,659	3,880,016
Support services:				
Pupil	2,839,723	42,316	75,387	2,957,426
Instructional staff	1,140,424	4,502	30,894	1,175,820
Board of education	25,557	-	-	25,557
Administration	414,824	-	-	414,824
Fiscal	310,023	-	-	310,023
Operations and maintenance	203,075	75,993	11,000	290,068
Pupil transportation	433,382	288,789	-	722,171
Central	107,617	-	-	107,617
Operation of non-instructional services:				
Other of non-instructional services	72,067	-	9,499	81,566
Capital outlay	87,301	-	-	87,301
Debt service:				
Principal retirement	2,855	-	-	2,855
Interest and fiscal charges	429	-	-	429
Total expenditures	9,873,743	603,307	825,561	11,302,611
Deficiency of revenues under expenditures	(534,474)	(36,670)	(10,212)	(581,356)
Other financing sources:				
Capital lease transaction	87,301	-	-	87,301
Total other financing sources	87,301	-	-	87,301
Net change in fund balances	(447,173)	(36,670)	(10,212)	(494,055)
Fund balances at beginning of year	201,939	73,633	2,482	278,054
Fund balances (deficit) at end of year	$ (245,234)	$ 36,963	$ (7,730)	$ (216,001)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

Net change in fund balances - total governmental funds		$ (494,055)
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.		
Capital asset additions	$ 651,882	
Current year depreciation	(78,073)	
Total		573,809
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition	125,652	
Intergovernmental revenues	13,044	
Service provided to other entities	(27,542)	
Total		111,154
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Capital leases	2,855	
Total		2,855
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		928,752
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,634,240)
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		(87,301)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(739)
An internal service fund used by management to charge the costs of a rotary fund to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(80)
Change in net position of governmental activities		$ (599,845)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	$ 7,725
Total assets.	7,725
Net position:	
Unrestricted.	7,725
Total net position.	$ 7,725

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
Operating expenses:	
Personal services.	$ 80
Operating loss.	(80)
Net position at beginning of year.	$ 7,805
Net position at end of year	$ 7,725

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash payments for personal services.	$ (2,100)
Net cash used in operating activities	(2,100)
Net decrease in cash and cash equivalents	(2,100)
Cash and cash equivalents at beginning of year . . .	9,825
Cash and cash equivalents at end of year	$ 7,725
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (80)
Changes in assets and liabilities:	
Accrued wages and benefits.	(1,750)
Intergovernmental payable	(25)
Pension obligation payable	(245)
Net cash used in operating activities	$ (2,100)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

		Agency
Assets:		
Current assets:		
Equity in pooled cash		
and cash equivalents	$	135,033
Prepayments		262
Total assets.	$	135,295
Liabilities:		
Due to students	$	13,298
Due to Family and Children First Council . . .		92,748
Accrued wages and benefits		2,463
Accounts Payable		26,769
Pension and postemployment benefits.		17
Total liabilities	$	135,295

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Columbiana County 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 operates under a locally elected five-member Governing Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the Center's support facilities staffed by 57 non-certified employees and 96 certified teaching personnel who provide services to approximately 9,963 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, preschool, and student related activities of the Center.

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; or (3) the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Center has no component units. The basic financial statements of the reporting entity include only those of the Center (the primary government).

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

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

JOINTLY GOVERNED ORGANIZATION

Area Cooperative Computerized Educational Service System (ACCESS)
ACCESS is a jointly governed organization among 26 school districts and 2 county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these member districts supports ACCESS based upon a per-pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of Superintendents of the member districts. The degree of control exercised by any member district is limited to its representation on the Board of Directors. In accordance with GASB Statement No. 14, the Center does not have any equity interest in ACCESS. Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 7320 North Palmyra Road Suite 127, Canfield, OH 44406.

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool
The Stark County Schools Council of Governments Health Benefits Plan is a shared risk pool created pursuant to State statute for the purpose of administering healthcare benefits. This consortium is governed by an Assembly, which consists of one representative from each participating school district (usually the Superintendent or designee). The Assembly elects officers for one-year terms to serve on the Board of Directors. The Assembly exercises control over the operation of this consortium. All of the consortium's revenues are generated from charges for services.

Workers' Compensation Group Rating Plan
The Center participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. 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 participating school districts in the GRP. Each year, the participating school districts pay an enrollment fee to Sheakley Uniservice, Inc. to cover the costs of administering the GRP.

B. Fund Accounting

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

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

The following is the Center's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Straight A fund - The Straight A fund is used to account for grant money received from the State of Ohio that is restricted for projects allowable under the grant.

Other governmental funds of the Center are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the Center's ongoing activities which are similar to those often found in the private sector. The Center has no enterprise funds.

The following is a description of the Center's internal service fund:

Internal service fund - An internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center, or to other governments, on a cost-reimbursement basis. The internal service fund of the Center accounts for the activities of a rotary fund.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency fund accounts for student activities and Family and Children First Council.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Center.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Center are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues of the Center’s internal service fund are typically from other operations. Operating expenses for the internal service fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange 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, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, see Note 12 for deferred outflows of resources related the Center’s net pension liability.

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center, unavailable revenue includes, but is not limited to intergovernmental grants, tuition revenue not available and contract services revenue not available. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the Center, see Note 12 for deferred inflows of resources related to the Center's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

In fiscal year 2004, the Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated resources. 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 Board. The level of control has been established by the Board at the fund and function level for all funds. Budgetary information for the general fund has been presented as supplementary information to the basic financial statements.

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

F. Cash and Investments

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

During fiscal year 2017, the Center invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Center measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to $4,241, which includes $367 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Center's cash and investments at fiscal year-end is provided in Note 4.

G. Pass-Through Grants

The Center is the primary recipient of grants that are passed-through to or spent on-behalf of the local school districts within Columbiana County. When the Center has a financial or administrative role in the grants, the grants are reported as intergovernmental revenues and intergovernmental expenditures in a special revenue fund. Grants for which the Center has no financial or administrative role and are passed-through to the local school districts in Columbiana County are reported in an agency fund.

H. Capital Assets

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions 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. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The Center does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are from the general fund to cover negative cash balances in other governmental are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the termination method. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital lease obligations are recognized as liabilities on the fund financial statements when due.

L. 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 spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Center’s Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

M. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for special trusts.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported in the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenses/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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenses/expenditures to the funds that initially paid for them are not presented on the basic financial statements. The Center did not record any transfers during fiscal year 2017.

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

Q. Pensions

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

R. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Center.

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

Major fund	Deficit
General	$ 245,234
Nonmajor funds	
Other grants	762
Miscellaneous state grants	2,034
Title VI-B	16,433

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

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

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

At fiscal year end, the Center had $232 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all Center deposits was ($348,680). Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, all of the Center’s bank balance of $233,949 was covered by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2017, the Center had the following investment and maturity:

		Investment Maturity
Measurement/Investment type	Measurement Value	6 Months or Less
Amortized cost:		
STAR Ohio	$ 835,097	$ 835,097

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Center's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2017:

Measurement/Investment type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 835,097	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

Cash and investments per note	
Cash on hand	$ 232
Carrying amount of deposits	(348,680)
Investments	835,097
Total	$ 486,649
Cash and investments per statement of net position	
Governmental activities	$ 351,617
Agency fund	135,032
Total	$ 486,649

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2017 as reported on the fund statements, consist of the following amounts due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 89,206

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2017 are reported on the statement of net position.

NOTE 6 - STATE FUNDING

State Per-Pupil Funding - This funding materializes in the form of a per-pupil amount applied to the student count extracted from the latest Report Card. For the purposes of this funding, the law distinguishes the 'High Performing' ESCs pursuant to Rule 3301-105-01 of the Administrative Code from the other ESCs and applies two per-pupil amounts to their state funding based on that distinction. High Performing ESCs are granted a per-pupil amount of $27.00 while other ESCs' state funding is based on the per-pupil amount of $25.00.

The law provides for $41,600,000 in fiscal year 2017 to be set aside from the Foundation Funding (line item 200-550) for this purpose. As the appropriation for this funding is set and the funding is based on a constant per-pupil amount, it is often necessary and authorized by law for the fund distribution to be prorated in order to stay within the appropriations. Obviously as the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Accounts	$ 530
Intergovernmental	675,542
Total	$ 676,072

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

NOTE 8 - CAPITAL ASSETS

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

Governmental activities:	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 61,900	$ 40,000	$ -	$ 101,900
Total capital assets, not being depreciated	61,900	40,000	-	101,900
Capital assets, being depreciated:				
Land improvements	98,421	-	-	98,421
Buildings and improvements	914,311	195,224	-	1,109,535
Furniture and equipment	588,423	105,648	-	694,071
Vehicles	248,076	311,010	-	559,086
Total capital assets, being depreciated	1,849,231	611,882	-	2,461,113
Less: accumulated depreciation:				
Land improvements	(88,076)	(4,099)	-	(92,175)
Buildings and improvements	(633,740)	(34,885)	-	(668,625)
Furniture and equipment	(576,390)	(10,495)	-	(586,885)
Vehicles	(233,463)	(28,594)	-	(262,057)
Total accumulated depreciation	(1,531,669)	(78,073)	-	(1,609,742)
Total capital assets, net	$ 379,462	$ 573,809	$ -	$ 953,271

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 3,177
Special	10,863
Support services:	
Instructional staff	3,037
Board of education	15,738
Administration	484
Operations and maintenance	17,842
Pupil transportation	25,443
Central	1,489
Total depreciation expense	$ 78,073

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 2017, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding July 1, 2016	Additions	Reductions	Balance Outstanding June 30, 2017	Amounts Due in One Year
Governmental activities:					
Capital lease obligations	$ -	$ 87,301	$ (2,855)	$ 84,446	$ 15,841
Net pension liability	16,585,040	3,661,578	-	20,246,618	-
Compensated absences	490,819	148,849	(131,932)	507,736	104,529
Total long-term obligations, governmental activities	$ 17,075,859	$ 3,897,728	$ (134,787)	$ 20,838,800	$ 120,370

The capital lease obligations were paid from the general fund. See Note 10 for detail.

See Note 12 for details on the net pension liability.

Compensated absences will be paid out of the fund from which the employee is paid, which for the Center is primarily the general fund.

NOTE 10 - CAPITAL LEASE - LESSEE DISCLOSURE

During the current fiscal year, the Center entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of $87,301. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2017 for this equipment was $8,730, leaving a current book value of $78,571. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2017 totaled $2,855 and $429, respectively, paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	Amount
2018	$ 19,704
2019	19,704
2020	19,704
2021	19,703
2022	16,420
Total minimum lease payments	95,235
Less: amount representing interest	(10,789)
Total	$ 84,446

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the Center contracted with The Hollaway Insurance Company for property insurance, fleet insurance, and general liability insurance.

Professional liability is protected by Liberty Mutual with a $2,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Liberty Mutual and hold a $1,000 deductible for comprehensive and a $1,000 deductible for collision. Automobile liability has a $1,000,000 combined single limit of liability for property damage and bodily injury, and $5,000 medical payment coverage per person. There is also an umbrella policy over the liability and vehicle coverage of $2,000,000 per policy. Settled claims have not exceeded this coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior fiscal year.

B. Employee Health Benefits

The Center has contracted with the Stark County Schools Council of Governments (a shared risk pool) (See Note 2) to provide employee health benefits. Rates are set through an annual calculation process. The Center pays a monthly contribution that is placed in a common fund from which claims payments are made for all participants. The Center's Governing Board pays a portion of the monthly premium.

Claims are paid for all participants regardless of claims flow. Upon termination, all Center claims would be paid without regard to the Center's account balance. The directors have the right to hold monies for an exiting participant subsequent to the settlement of all expenses and claims.

Postemployment healthcare is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the Center.

C. Workers' Compensation

The Center participates in a workers' compensation group rating plan (GRP). 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. Participants in the GRP are placed in tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Sheakley Uniservice, Inc. provides administrative cost control and actuarial services for the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

The 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.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description –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 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was $327,044 for fiscal year 2017. Of this amount, $13,674 is reported as pension and postemployment benefits payable.

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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The Center's contractually required contribution to STRS was $601,708 for fiscal year 2017. Of this amount, $74,657 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.08459240%	0.04254472%	
Proportion of the net pension liability current measurement date	0.08082100%	0.04281439%	
Change in proportionate share	-0.00377140%	0.00026967%	
Proportionate share of the net pension liability	$ 5,915,351	$ 14,331,267	$ 20,246,618
Pension expense	$ 374,416	$ 1,259,824	$ 1,634,240

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 79,784	$ 579,052	$ 658,836
Net difference between projected and actual earnings on pension plan investments	487,930	1,189,882	1,677,812
Changes of assumptions	394,882	-	394,882
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	-	436,350	436,350
Center contributions subsequent to the measurement date	327,044	601,708	928,752
Total deferred outflows of resources	$ 1,289,640	$ 2,806,992	$ 4,096,632
Deferred inflows of resources			
Difference between Center contributions and proportionate share of contributions/ change in proportionate share	$ 421,145	$ -	$ 421,145
Total deferred inflows of resources	$ 421,145	$ -	$ 421,145

$928,752 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 59,534	$ 420,641	$ 480,175
2019	59,183	420,643	479,826
2020	282,475	877,231	1,159,706
2021	140,259	486,769	627,028
Total	$ 541,451	$ 2,205,284	$ 2,746,735

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the previous measurement period. 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	$ 7,831,557	$ 5,915,351	$ 4,311,408

Actuarial Assumptions - STRS

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	$ 19,045,089	$ 14,331,267	$ 10,354,880

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the Center's surcharge obligation was $41,359.

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Center's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $41,359, $44,560, and $69,048, respectively. The fiscal year 2017 amount has been reported as due to other governments/pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

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

NOTE 14 - CONTINGENCIES

A. Grants

The Center receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Center.

B. Litigation

The Center is not party to legal proceedings which, in the opinion of Center management, will have a material effect, if any, on the financial condition of the Center.

C. Foundation Funding

Center Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Centers must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Center, which can extend past the fiscal year-end. The final adjustment was not material and is not reflected in the accompanying financial statements.

NOTE 15 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation leave and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, administrators, and supervisors earn five to twenty days of vacation leave per year depending upon length of service. Accumulated unused vacation leave is paid upon termination of employment. Teachers do not earn vacation leave. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of fifty days.

B. Medical, Dental, Vision and Prescription Drug Insurance

The Center maintains a health and welfare plan that provides medical, dental, vision and prescription drug insurance card benefits.

C. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees.

NOTE 16 - COMMITMENTS

The Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Center's commitments for encumbrances in the governmental funds were as follows:

Fund	Year End Encumbrances
General fund	$ 292,305
Straight A fund	48,370
Nonmajor governmental funds	113,141
Total	$ 453,816

SUPPLEMENTARY INFORMATION

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Tuition	$ 8,949,718	$ 8,892,174	$ 8,353,904	$ (538,270)
Earnings on investments	3,810	3,786	4,241	455
Contributions and donations	252	250	500	250
Contract services	840,434	835,030	766,116	(68,914)
Other local revenues	252	250	4,538	4,288
Intergovernmental - state	454,087	451,167	504,033	52,866
Intergovernmental - federal	21,051	20,916	18,326	(2,590)
Total revenues	10,269,604	10,203,573	9,651,658	(551,915)
Expenditures:				
Current:				
Instruction:				
Regular	1,390,290	1,352,924	1,338,395	14,529
Special	3,423,734	3,331,715	3,182,898	148,817
Support services:				
Pupil	2,893,959	2,816,179	2,879,189	(63,010)
Instructional staff	1,169,826	1,138,385	1,163,222	(24,837)
Board of education	35,073	34,130	29,037	5,093
Administration	446,963	434,950	428,333	6,617
Fiscal	326,082	317,318	313,000	4,318
Operations and maintenance	263,822	256,731	242,274	14,457
Pupil transportation	521,366	507,353	438,559	68,794
Central	112,662	109,634	114,142	(4,508)
Other operation of non-instructional services	79,054	76,929	73,823	3,106
Total expenditures	10,662,831	10,376,248	10,202,872	173,376
Excess of expenditures over revenues	(393,227)	(172,675)	(551,214)	(378,539)
Other financing sources (uses):				
Refund of prior year's expenditures	14,720	14,720	14,720	-
Refund of prior year's receipts	(596)	(596)	(596)	-
Total other financing sources (uses)	14,124	14,124	14,124	-
Net change in fund balance	(379,103)	(158,551)	(537,090)	(378,539)
Fund balance at beginning of year	8,461	8,461	8,461	-
Prior year encumbrances appropriated	578,960	578,960	578,960	-
Fund balance at end of year	$ 208,318	$ 428,870	$ 50,331	$ (378,539)

SEE ACCOMPANYING BUDGETARY NOTES

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Intergovernmental - state	$ -	$ 637,706	$ 575,280	$ (62,426)
Total revenue	-	637,706	575,280	(62,426)
Expenditures:				
Current:				
Instruction:				
Special.	-	223,561	230,427	(6,866)
Support Services:				
Pupil.	-	47,705	51,658	(3,953)
Instructional staff	-	17,677	7,402	10,275
Operations and maintenance.	-	103,054	83,253	19,801
Pupil transportation	-	270,205	289,462	(19,257)
Total expenditures	-	662,202	662,202	-
Net change in fund balance	-	(24,496)	(86,922)	(62,426)
Fund balance (deficit) at beginning of year .	(62,732)	(62,732)	(62,732)	-
Prior year encumbrances appropriated . .	24,496	24,496	24,496	-
Fund balance (deficit) at end of year	$ (38,236)	$ (62,732)	$ (125,158)	$ (62,426)

SEE ACCOMPANYING BUDGETARY NOTES

BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 Governing 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 schedule reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedule reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The Center's Governing Board adopts an annual appropriation resolution, which is the Governing Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund and function level for 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 schedule 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 schedule 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 generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) - for the general fund and Straight A grant fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and 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. To reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

4. Advances in and out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and

5. Some funds are included in the general fund (GAAP basis), but have separate adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis schedule for the general fund and Straight A fund:

	General Fund	Straight A Fund
Budget basis	$ (537,090)	$ (86,922)
Net adjustment for revenue accruals	(314,634)	(8,643)
Net adjustment for expenditure accruals	(27,309)	(22,757)
Net adjustment for other sources/uses	73,177	-
Funds budgeted elsewhere	(5,055)	-
Adjustment for encumbrances	363,738	81,652
GAAP basis	$ (447,173)	$ (36,670)

Certain funds that are budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the public school support fund.

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REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	2017	2016	2015	2014
Center's proportion of the net pension liability	0.08082100%	0.08459240%	0.09456600%	0.09456600%
Center's proportionate share of the net pension liability	$ 5,915,351	$ 4,826,924	$ 4,785,931	$ 5,623,537
Center's covered payroll	$ 2,502,279	$ 2,546,669	$ 2,747,900	$ 2,738,873
Center's proportionate share of the net pension liability as a percentage of its covered payroll	236.40%	189.54%	174.17%	205.32%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	2017	2016	2015	2014
Center's proportion of the net pension liability	0.04281439%	0.04254472%	0.04034249%	0.04034249%
Center's proportionate share of the net pension liability	$ 14,331,267	$ 11,758,116	$ 9,812,690	$ 11,688,812
Center's covered payroll	$ 4,481,650	$ 4,438,829	$ 4,121,885	$ 4,435,546
Center's proportionate share of the net pension liability as a percentage of its covered payroll	319.78%	264.89%	238.06%	263.53%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 327,044	$ 350,319	$ 335,651	$ 380,859
Contributions in relation to the contractually required contribution	(327,044)	(350,319)	(335,651)	(380,859)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 2,336,029	$ 2,502,279	$ 2,546,669	$ 2,747,900
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
$ 379,060	$ 343,783	$ 284,147	$ 292,623	$ 198,777	$ 116,654
(379,060)	(343,783)	(284,147)	(292,623)	(198,777)	(116,654)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,738,873	$ 2,556,007	$ 2,260,517	$ 2,161,174	$ 2,020,091	$ 1,187,923
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2017	2016	2015	2014
Contractually required contribution	$ 601,708	$ 627,431	$ 621,436	$ 535,845
Contributions in relation to the contractually required contribution	(601,708)	(627,431)	(621,436)	(535,845)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 4,297,914	$ 4,481,650	$ 4,438,829	$ 4,121,885
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

	2013	2012	2011	2010	2009	2008
	$ 576,621	$ 537,277	$ 516,210	$ 476,125	$ 468,232	$ 436,418
	(576,621)	(537,277)	(516,210)	(476,125)	(468,232)	(436,418)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 4,435,546	$ 4,132,900	$ 3,970,846	$ 3,662,500	$ 3,601,785	$ 3,357,062
	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

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

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, Ohio 44432

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 Columbiana County Educational Service Center, Columbiana County, (the Center) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 12, 2018.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

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. We did not audit the Center's response 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

April 12, 2018

SCHEDULE OF FINDINGS
JUNE 30, 2017

1. **Financial Reporting**

Finding Number	2017-001

MATERIAL WEAKNESS

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

The Center did not have policies and procedures in place for certain financial statement accounts, which led to the following:

The Straight A Grant Fund was not identified and disclosed as a major fund in the initially prepared and filed basic financial statements. The financial statements have been adjusted for this error.

Improper financial reporting can result in irregularities that decrease the reliability of the basic financial statements.

To help ensure the Center's financial statements are complete and accurate, the Center should adopt policies and procedures to identify and correct errors and omissions. In addition, the Center should review the financial statements and notes prior to submission for audit.

Official's Response:

The Center uses an accounting firm to prepare its basic financial statements under accounting principles generally accepted in the United States of America (GAAP). During the preparation of the statements, an error occurred in the software used which detects and reports if a fund is major or not. Due to this error, the Straight A Grant Fund was not being shown as major. Even with this error, all assets, liabilities, revenues, expenditures, etc. related to the Straight A Grant Fund were still included in the filed version of the statements within the Nonmajor Governmental Funds columns and were made available to the auditors for the audit. The change to the statements only resulted in breaking out the activity of the Straight A Grant Fund into a separate column and including additional wording in the Management's Discussion and Analysis (MD&A) as well as some changes to the Notes to the Basic Financial Statements. The Center plans to implement policies and procedures to better review the basic financial statements prior to filing and determine which funds needs to be reported as major.

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Dave Yost • Auditor of State

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER

COLUMBIANA 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
MAY 31, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov