NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OHIO AUDITOR OF STATE
KEITH FABER

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY
JUNE 30, 2023

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

North Point Educational Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870-5842

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Point Educational Service Center, Erie County, Ohio (the ESC), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Point Educational Service Center, Erie County, Ohio as of June 30, 2023, and the respective changes in 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the ESC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3.B to the basic financial statements, during 2023, the ESC restated its beginning net position to reclassify the activity for NOECA from a custodial fund to a proprietary fund to properly reflect the activity. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ESC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ESC's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ESC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities / (asset) and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ESC's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024, on our consideration of the ESC'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ESC's 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 ESC's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(UNAUDITED)

The management's discussion and analysis of the North Point Educational Service Center's (the ESC) financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the ESC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- In total, net position increased $1,574,030. Net position of governmental activities increased $2,496,815 which represents a 13.69% increase from the restated net position at June 30, 2022. Net position of business-type activities decreased $922,785 from a 2022 restated balance of $2,855,697 to a balance of $1,932,912.

- General revenues accounted for $1,306,665 or 5.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, and capital grants and contributions accounted for $20,769,575 or 94.08% of total governmental revenues of $22,076,240.

- The ESC had $19,579,425 in expenses related to governmental activities; $20,769,575 of these expenses were offset by program specific charges for services, grants or contributions. Program specific charges for services, grants and contributions were sufficient to provide for these programs.

- The general fund and the permanent improvement fund are the ESC's two major governmental funds. The general fund had $20,042,874 in revenues, $19,744,800 in expenditures and $357,121 in other financing sources. During fiscal year 2023, the general fund's fund balance increased $655,195 from $3,470,595 to a balance of $4,125,790.

- The permanent improvement fund had $26,097 in revenues. During fiscal year 2023, the permanent improvement fund's fund balance increased $26,097 from $725,139 to a balance of $751,236.

- The Northern Ohio Educational Computer Association (NOECA) fund, a major enterprise fund, had $3,353,692 in operating revenues, $4,584,458 in operating expenses and $307,981 in net nonoperating activity. During fiscal year 2023, NOECA's fund net position decreased $922,785 from $2,855,697 to a balance of $1,932,912.

Using the Basic Financial Statements

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

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

Reporting the ESC as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did the ESC perform financially during 2023?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's net position and changes in net position. The ESC's change in net position is important because it tells the reader that, for the ESC as a whole, the financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts and required educational programs, among others.

In the statement of net position and the statement of activities, the ESC is divided into two distinct kinds of activities:

Governmental Activities **-** Most of the ESC's programs and services are reported here, including instruction, support services, and other operations.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. NOECA is reported as business-type activities.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the ESC's most significant funds. The ESC's two major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Fund

Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the ESC as a whole.

Reporting the ESC's Fiduciary Responsibilities

The ESC is the fiscal agent of the Huron-Erie School Employees Insurance Association (HESEIA) and Bay Area Council of Governments. HESEIA and Bay Area Council of Governments are presented as a custodial funds. The ESC also maintains custodial funds to account for monies due to other governments, individuals or private organizations. All of the ESC's fiduciary activities are reported in the statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the ESC's other financial statements because these resources cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the ESC's net position liability and net OPEB liability/(asset) and ESC contributions to the pension and OPEB plans.

Budgetary Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information.

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The ESC as a Whole

The table below provides a summary of the ESC's net position at June 30, 2023 and 2022. The ESC presented NOECA as a business-type activities in 2023 for the first year. Comparative information will be provided in future years.

Net Position

	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Total 2023
Assets				
Current and other assets	$ 9,122,775	$ 7,635,658	$ 1,313,376	$ 10,436,151
Capital assets, net	1,745,845	1,579,505	1,471,621	3,217,466
Total assets	10,868,620	9,215,163	2,784,997	13,653,617
Deferred Outflows of Resources				
Pension	4,404,407	4,557,623	1,787,885	6,192,292
OPEB	386,836	564,363	679,070	1,065,906
Total deferred outflows of resources	4,791,243	5,121,986	2,466,955	7,258,198
Liabilities				
Current liabilities	2,191,234	1,804,790	56,503	2,247,737
Long-term liabilities:				
Due within one year	270,859	260,096	112,917	383,776
Due in more than one year:				
Net pension liability	18,999,553	12,698,996	1,952,523	20,952,076
Net OPEB liability	1,043,554	1,885,916	344,039	1,387,593
Other amounts	1,172,082	924,527	296,774	1,468,856
Total liabilities	23,677,282	17,574,325	2,762,756	26,440,038
Deferred Inflows of Resources				
Pension	3,975,453	11,558,879	174,788	4,150,241
OPEB	3,746,049	3,439,681	381,496	4,127,545
Total deferred inflows of resources	7,721,502	14,998,560	556,284	8,277,786
Net Position				
Net investment in capital assets	1,256,612	1,325,829	1,244,894	2,501,506
Restricted	241,766	19,690	-	241,766
Unrestricted (deficit)	(17,237,299)	(19,581,255)	688,018	(16,549,281)
Total net position (deficit)	$ (15,738,921)	$ (18,235,736)	$ 1,932,912	$ (13,806,009)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/(asset) is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the ESC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

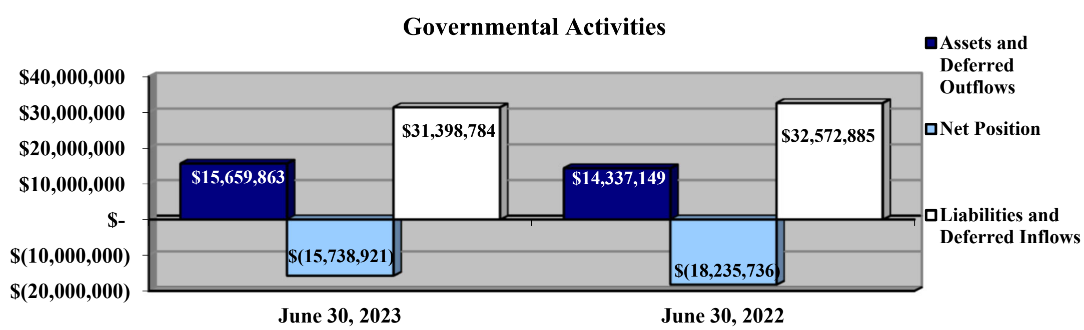
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the ESC's total liabilities and deferred inflows exceeded total assets and deferred outflows by $13,806,009. Of this total, $241,766 is restricted in use.

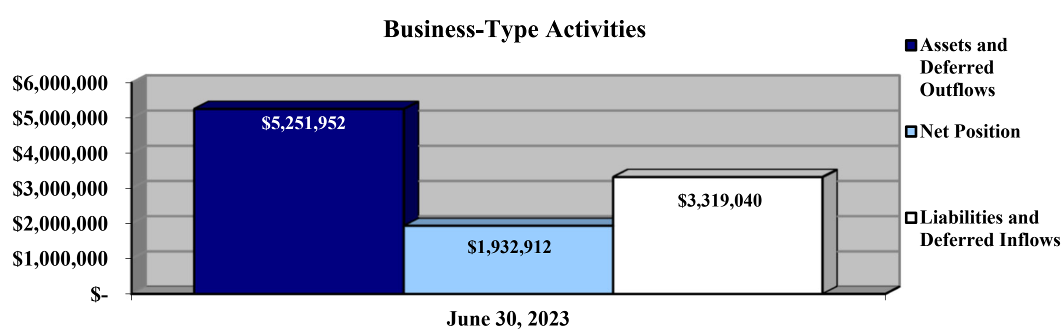
At fiscal year-end, capital assets represented 16.06% of total governmental assets. Capital assets include land, buildings and leaseholder improvements, furniture and equipment, vehicles, and intangible right to use assets. The ESC's net investment in capital assets for the governmental activities at June 30, 2023, was $1,256,612. These capital assets are used to provide the ESC's services, thus net position invested in capital assets equal to the carrying value of assets is not available for future spending. Although the ESC'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.

Long-term liabilities increased primarily due to an increase in the net pension liability and net OPEB liability. These liabilities are outside of the control of the ESC. The ESC contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the ESC. Changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) impacted both net pension liability and deferred inflows. Net investment income on investments at both pension systems were negative for the fiscal year 2022 measurement date that are used for the fiscal year 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous fiscal year's large positive investment returns.

A portion of the ESC's net position, $241,766 represents resources that are subject to external restriction on how these resources may be used. The remaining balance of unrestricted net position is a deficit of $16,549,281.

The graph that follows illustrates the governmental activities and business-type assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2023 and 2022. The ESC presented NOECA as a business-type activities in 2023 for the first year. Comparative information will be provided in future years.





The table below shows the change in net position for fiscal years 2023 and 2022. The ESC presented NOECA as a business-type activities in 2023 for the first year. Comparative information will be provided in future years.

Change in Net Position

	Governmental Activities 2023	Governmental Activities 2022
Revenues		
Program revenues:		
Charges for services and sales	$ 18,662,773	$ 16,906,144
Operating grants and contributions	1,992,705	1,137,580
Capital grants and contributions	114,097	1,845
General revenues:		
Grants and entitlements	1,091,988	1,009,410
Investment earnings	170,178	12,340
Miscellaneous	44,499	52,030
Total revenues	22,076,240	19,119,349
Program expenses:		
Instruction:		
Regular	1,934,463	1,762,964
Special	6,936,692	5,776,396
Support services:		
Pupil	5,173,459	4,163,508
Instructional staff	2,789,272	1,776,004
Board of education	76,814	52,072
Administration	1,161,128	934,709
Fiscal	477,418	412,428
Operations and maintenance	720,978	665,098
Central	238,429	211,023
Operation of non-instructional services	15,657	16,119
Extracurricular activities	32,071	62,028
Interest and fiscal charges	23,044	14,413
Total expenses	19,579,425	15,846,762
Change in net position	2,496,815	3,272,587
Net position (deficit) at beginning of year	(18,235,736)	(21,508,323)
Net position (deficit) at end of year	$ (15,738,921)	$ (18,235,736)

Change in Net Positio

		Business-Type Activities 2023
Revenues		
Program revenues:		
Charges for services and sales	$	3,353,692
Operating grants and contributions		262,943
General revenues:		
Investment earnings		56,856
Total revenues		3,673,491
Program expenses:		
NOECA		4,596,276
Change in net position		(922,785)
Net position at beginning of year (Restated)		2,855,697
Net position at end of year	$	1,932,912

Governmental Activities

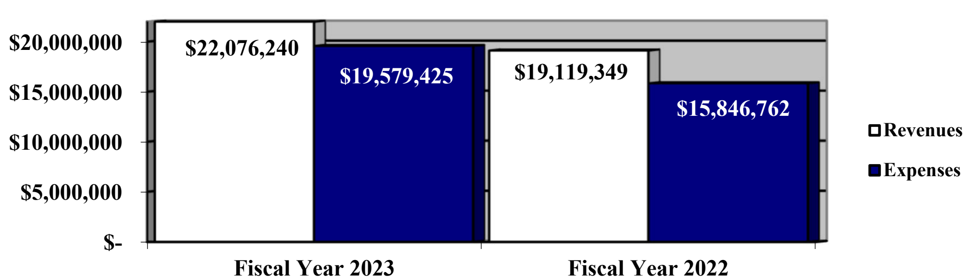
Net position of the ESC's governmental activities increased $2,496,815. Total governmental expenses of $19,579,425 were offset by program revenues of $20,769,575 and general revenues of $1,306,665. Program revenues supported all of the total governmental expenses.

Total revenues of the ESC increased $2,956,891 or 15.47%. The primary sources of revenue for governmental activities are derived from sales and charges for services provided to other entities. This revenue source represents 84.54% of total governmental revenue.

Overall, expenses of the governmental activities increased $3,732,663 or 23.55%. This increase was the result of an increase in expenses incurred at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) due to a decrease in net investment income on investments compared to previous years.

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2023 and 2022.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements and other general revenues not restricted to a specific program.

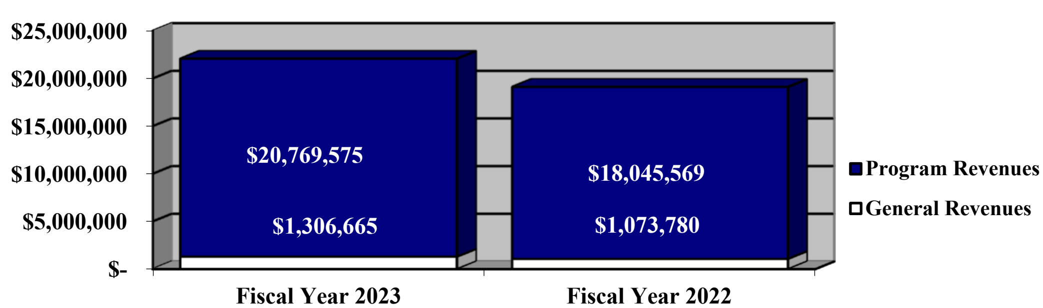
Governmental Activities

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Program expenses				
Instruction:				
Regular	$ 1,934,463	$ (135,725)	$ 1,762,964	$ (133,564)
Special	6,936,692	(272,532)	5,776,396	(859,424)
Support services:				
Pupil	5,173,459	(449,034)	4,163,508	(930,722)
Instructional staff	2,789,272	(249,110)	1,776,004	(265,224)
Board of education	76,814	3	52,072	(2,518)
Administration	1,161,128	(6,542)	934,709	(79,594)
Fiscal	477,418	(21,539)	412,428	(62,172)
Operations and maintenance	720,978	(43,043)	665,098	1,822
Central	238,429	(36,485)	211,023	80,554
Operation of non-instructional services	15,657	1,967	16,119	2,555
Extracurricular activities	32,071	(1,154)	62,028	35,067
Interest and fiscal charges	23,044	23,044	14,413	14,413
Total expenses	$ 19,579,425	$ (1,190,150)	$ 15,846,762	$ (2,198,807)

The primary support of the ESC is contracted fees for services provided to other districts.

The graph below presents the ESC's governmental activities revenue for fiscal years 2023 and 2022.

Governmental Activities - General and Program Revenues



Business-Type Activities

Net position of the ESC's business-type activities decreased $922,785. Total business-type expenses of $4,596,276 were offset by program revenues of $3,616,365 and general revenues of $56,856. The ESC's business-type activities do not receive support from tax revenues.

The ESC's Funds

The ESC's governmental funds reported a combined fund balance of $5,118,682 which is higher than last year's balance of $4,170,801. The schedule below indicates the fund balances and the total change in fund balance during the fiscal years ended June 30, 2023 and June 30, 2022.

	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Change
General	$ 4,125,790	$ 3,470,595	$ 655,195
Permanent improvement	751,236	725,139	26,097
Nonmajor governmental	241,656	(24,933)	266,589
Total	$ 5,118,682	$ 4,170,801	$ 947,881

General Fund

The ESC's general fund balance increased by $655,195. Overall revenues increased by $2,029,253. Tuition increased from $15,630,904 to $17,007,158 or 8.80% and services provided to other entities increased from $1,288,382 to $1,699,866 or 31.94% due to the ESC providing increased services to school districts. Additionally, earnings on investments increased 157,838 or 1,279.08% due to the ESC receiving increased returns on investments in STAR Ohio due to rising interest rates.

Expenditures in the general fund increased $2,102,295 or 11.92% from fiscal year 2022. Instruction expenditures increased $1,029,928 or 12.71%. This increase was primarily due to increased spending on instruction experiences for students. Support services expenditures increased $748,069 or 8.06% primarily due to increased expenditures for administrative services along with wages and benefit increases. The ESC entered into new lease agreements, which increased capital outlay expenditures in 2023.

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

	2023 Amount	2022 Amount	Change	Percentage Change
Revenues				
Tuition and fees	$ 17,007,158	$ 15,630,904	$ 1,376,254	8.80 %
Earnings on investments	170,178	12,340	157,838	1,279.08 %
Intergovernmental	1,091,988	1,009,410	82,578	8.18 %
Services provided to other entities	1,699,866	1,288,382	411,484	31.94 %
Other revenues	73,684	72,585	1,099	1.51 %
Total	$ 20,042,874	$ 18,013,621	$ 2,029,253	11.27 %
Expenditures				
Instruction	$ 9,136,278	$ 8,106,350	$ 1,029,928	12.71 %
Support services	10,031,593	9,283,524	748,069	8.06 %
Operation of non-instructional services	13,903	17,194	(3,291)	(19.14) %
Extracurricular activities	31,337	29,667	1,670	5.63 %
Facilities acquisition and construction	42,193	66,987	(24,794)	100.00 %
Capital outlay	357,121	15,982	341,139	2,134.52 %
Debt service	132,375	122,801	9,574	7.80 %
Total	$ 19,744,800	$ 17,642,505	$ 2,102,295	11.92 %

Permanent Improvement Fund

The ESC's permanent improvement fund balance increased $26,097 from fiscal year 2022. The only activity in the fund for 2023 was interest earnings.

Proprietary Fund - NOECA

The NOECA fund, a major enterprise fund, had $3,353,692 in operating revenues, $4,584,458 in operating expenses and $307,981 in net nonoperating activity. During fiscal year 2023, NOECA's net position decreased $922,785 from $2,855,697 to a balance of $1,932,912 primarily due to pension and OPEB liabilities.

Capital Assets

At the end of fiscal year 2023, the ESC had $3,217,466 invested in land, buildings and leaseholder improvements, furniture and equipment, vehicles, and intangible right to use assets. Of this amount, $1,745,845 is in governmental activities and $1,471,621 is in business-type activities.

The following table shows June 30, 2023 balances compared to June 30, 2022.

Governmental Activities Capital Assets at June 30
(Net of Depreciation/Amortization)

	2023	2022
Land	$ 114,850	$ 114,850
Buildings and leaseholder improvements	1,064,228	1,165,200
Furniture and equipment	79,873	52,188
Vehicles	15,001	15,001
Intangible right to use assets	471,893	232,266
Total	$ 1,745,845	$ 1,579,505

The overall increase in the ESC's governmental capital assets, net of accumulated depreciation, of $166,340 is attributable to the additions exceeding depreciation/amortization expense in 2023. The ESC recorded governmental capital asset additions of $393,990 and disposals of $6,100 during fiscal year 2023.

Business-Type Activities Capital Assets at June 30
(Net of Depreciation/Amortization)

	2023	Restated 2022
Land	$ 52,000	$ 52,000
Buildings and improvements	1,170,261	1,200,543
Furniture and equipment	16,705	-
Intangible right to use assets	232,655	-
Total	$ 1,471,621	$ 1,252,543

The overall increase in the ESC's business-type capital assets, net of accumulated depreciation, of $219,078 is attributable to the additions exceeding depreciation/amortization expense in 2023. The ESC recorded business-type capital asset additions of $319,468 and no disposals during fiscal year 2023.

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

Debt Administration

At June 30, 2023, the ESC had $489,233 and $226,727 in leases outstanding in the governmental activities and business-type activities, respectively. Of this total, $165,245 is due within one year and $550,714 is due in more than one year. The following table summarizes the lease liabilities.

Outstanding Debt, at Year End

	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022
Leases payables	$ 489,233	$ 241,916	$ 226,727	$ -

See Note 8 to the basic financial statements for additional information on the ESC's debt administration.

Current Financial Related Activities

The North Point Educational Service Center relies heavily on contracts with local, city and exempted village school Districts in a five-county area, State foundation revenue and grants. During this uncertain time we are not sure if contracts with districts will continue to rise as they were pre-spring of 2023 or if they will stay steady. The ESC also looks to expand services, providing fiscal, administrative and other services to entities. Currently some of those entities are the Bay Area Gas Consortium and the Huron-Erie School Employees Insurance Consortium. These new contracts and expanded services along with the ESC's cash balance will provide the necessary funds to meet operating expenses in the future.

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

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

Contacting the ESC's Financial Management

This financial report is designed to provide local school districts, citizens, creditors, and other interested parties with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Matt Bauer, Treasurer, North Point ESC, 4918 Milan Road, Sandusky, Ohio or by calling (419) 627-3901.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	$ 6,966,106	$ 1,271,829	$ 8,237,935
Receivables:			
Accounts	20	-	20
Intergovernmental	303,001	-	303,001
Prepayments	44,906	18,849	63,755
Net OPEB asset	1,808,742	22,698	1,831,440
Capital assets:			
Nondepreciable capital assets	114,850	52,000	166,850
Depreciable/amortizable capital assets, net	1,630,995	1,419,621	3,050,616
Capital assets, net	1,745,845	1,471,621	3,217,466
Total assets	10,868,620	2,784,997	13,653,617
Deferred outflows of resources:			
Pension	4,404,407	1,787,885	6,192,292
OPEB	386,836	679,070	1,065,906
Total deferred outflows of resources	4,791,243	2,466,955	7,258,198
Liabilities:			
Accounts payable	140,780	38,537	179,317
Accrued wages and benefits payable	1,718,864	5,443	1,724,307
Intergovernmental payable	32,454	79	32,533
Pension and postemployment benefits payable	297,704	1,833	299,537
Accrued interest payable	1,432	10,611	12,043
Long-term liabilities:			
Due within one year	270,859	112,917	383,776
Due in more than one year:			
Net pension liability	18,999,553	1,952,523	20,952,076
Net OPEB liability	1,043,554	344,039	1,387,593
Other amounts due in more than one year	1,172,082	296,774	1,468,856
Total liabilities	23,677,282	2,762,756	26,440,038
Deferred inflows of resources:			
Pension	3,975,453	174,788	4,150,241
OPEB	3,746,049	381,496	4,127,545
Total deferred inflows of resources	7,721,502	556,284	8,277,786
Net position:			
Net investment in capital assets	1,256,612	1,244,894	2,501,506
Restricted for:			
Permanent fund - nonexpendable	2,645	-	2,645
Federally funded programs	21,371	-	21,371
Other purposes	217,750	-	217,750
Unrestricted (deficit)	(17,237,299)	688,018	(16,549,281)
Total net position (deficit)	$ (15,738,921)	$ 1,932,912	$ (13,806,009)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	$ 1,934,463	$ 2,008,922	$ 61,266	$ -
Special	6,936,692	6,877,531	331,693	-
Support services:				
Pupil	5,173,459	5,610,230	12,263	-
Instructional staff	2,789,272	1,839,730	1,198,652	-
Board of education	76,814	76,811	-	-
Administration	1,161,128	821,672	345,998	-
Fiscal	477,418	484,557	14,400	-
Operations and maintenance	720,978	645,341	4,583	114,097
Central	238,429	274,914	-	-
Operation of non-instructional services:				
Other non-instructional services	15,657	6,361	7,329	-
Extracurricular activities	32,071	16,704	16,521	-
Interest and fiscal charges	23,044	-	-	-
Total governmental activities	19,579,425	18,662,773	1,992,705	114,097
Business-type activities:				
NOECA	4,596,276	3,353,692	262,943	-
Totals	$ 24,175,701	$ 22,016,465	$ 2,255,648	$ 114,097

General revenues:
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues

Change in net position

Net position at beginning of year (deficit) (restated)

Net position at end of year (deficit)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-Type Activities	Total
$ 135,725	$ -	$ 135,725
272,532	-	272,532
449,034	-	449,034
249,110	-	249,110
(3)	-	(3)
6,542	-	6,542
21,539	-	21,539
43,043	-	43,043
36,485	-	36,485
(1,967)	-	(1,967)
1,154	-	1,154
(23,044)	-	(23,044)
1,190,150	-	1,190,150
-	(979,641)	(979,641)
1,190,150	(979,641)	210,509
1,091,988	-	1,091,988
170,178	56,856	227,034
44,499	-	44,499
1,306,665	56,856	1,363,521
2,496,815	(922,785)	1,574,030
(18,235,736)	2,855,697	(15,380,039)
$ (15,738,921)	$ 1,932,912	$ (13,806,009)

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 5,972,904	$ 751,236	$ 241,966	$ 6,966,106
Receivables:				
Accounts	20	-	-	20
Intergovernmental	299,742	-	3,259	303,001
Prepayments	44,906	-	-	44,906
Due from other funds	3,259	-	-	3,259
Total assets	$ 6,320,831	$ 751,236	$ 245,225	$ 7,317,292
Liabilities:				
Accounts payable	$ 140,470	$ -	$ 310	$ 140,780
Accrued wages and benefits payable	1,718,864	-	-	1,718,864
Intergovernmental payable	32,454	-	-	32,454
Pension and postemployment benefits payable	297,704	-	-	297,704
Due to other funds	-	-	3,259	3,259
Total liabilities	2,189,492	-	3,569	2,193,061
Deferred inflows of resources:				
Tuition revenue not available	5,549	-	-	5,549
Fund balances:				
Nonspendable:				
Prepaids	44,906	-	-	44,906
Permanent fund	-	-	2,645	2,645
Restricted:				
Federally funded programs	-	-	21,371	21,371
Other purposes	-	-	217,750	217,750
Committed:				
Capital projects	-	751,236	-	751,236
Assigned:				
Student instruction	8,319	-	-	8,319
Student and staff support	731,655	-	-	731,655
Other purposes	46,141	-	-	46,141
Unassigned (deficit)	3,294,769	-	(110)	3,294,659
Total fund balances	4,125,790	751,236	241,656	5,118,682
Total liabilities, deferred inflows and fund balances	$ 6,320,831	$ 751,236	$ 245,225	$ 7,317,292

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total governmental fund balances		$ 5,118,682
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.		1,745,845
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds		
Tuition revenue receivable		5,549
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds		(1,432)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds		
Deferred outflows - pension	$ 4,404,407	
Deferred inflows - pension	(3,975,453)	
Net pension liability	(18,999,553)	
Deferred outflows - OPEB	386,836	
Deferred inflows - OPEB	(3,746,049)	
Net OPEB asset	1,808,742	
Net OPEB liability	(1,043,554)	
Total		(21,164,624)
Long-term liabilities, such as compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		
Lease obligations	(489,233)	
Compensated absences	(953,708)	
Total		(1,442,941)
Net position of governmental activities		$ (15,738,921)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Intergovernmental	$ 1,091,988	$ -	$ 2,100,408	$ 3,192,396
Investment earnings	170,178	26,097	-	196,275
Tuition and fees	17,007,158	-	-	17,007,158
Extracurricular	2,365	-	6,308	8,673
Rental income	2,970	-	-	2,970
Charges for services	1,699,866	-	67	1,699,933
Contributions and donations	23,850	-	1,070	24,920
Miscellaneous	44,499	-	-	44,499
Total revenues	20,042,874	26,097	2,107,853	22,176,824
Expenditures:				
Current:				
Instruction:				
Regular	2,066,880	-	61,269	2,128,149
Special	7,069,398	-	334,593	7,403,991
Support services:				
Pupil	5,772,092	-	22,911	5,795,003
Instructional staff	1,892,808	-	1,061,020	2,953,828
Board of education	79,027	-	-	79,027
Administration	845,378	-	275,442	1,120,820
Fiscal	498,537	-	14,400	512,937
Operations and maintenance	660,905	-	71,629	732,534
Central	282,846	-	-	282,846
Operation of non-instructional services				
Other non-instructional services	13,903	-	-	13,903
Extracurricular activities	31,337	-	-	31,337
Facilities acquisition and construction	42,193	-	-	42,193
Capital outlay	357,121	-	-	357,121
Debt service:				
Principal retirement	109,804	-	-	109,804
Interest and fiscal charges	22,571	-	-	22,571
Total expenditures	19,744,800	-	1,841,264	21,586,064
Excess of revenues over expenditures	298,074	26,097	266,589	590,760
Other financing sources:				
Lease transaction	357,121	-	-	357,121
Net change in fund balances	655,195	26,097	266,589	947,881
Fund balances (deficit) at beginning of year	3,470,595	725,139	(24,933)	4,170,801
Fund balances at end of year	$ 4,125,790	$ 751,236	$ 241,656	$ 5,118,682

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		$ 947,881
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	$ 393,990	
Current year depreciation/amortization	(221,550)	
Total		172,440
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(6,100)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition	$ (55,961)	
Intergovernmental	(44,623)	
Total		(100,584)
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		109,804
Issuance of 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.		(357,121)
In the statement of activities, interest is accrued on outstanding leases, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		(473)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,818,528	
OPEB	53,613	
Total		1,872,141
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(688,875)	
OPEB	606,549	
Total		(82,326)
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.		(58,847)
Change in net position of governmental activities		$ 2,496,815

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	NOECA
Assets:	
Equity in pooled cash	
and cash equivalents	$ 1,271,829
Receivables:	
Prepayments	18,849
Total current assets	1,290,678
Noncurrent assets:	
Net OPEB asset	22,698
Nondepreciable capital assets	52,000
Depreciable/Amortizable capital assets, net	1,419,621
Total noncurrent assets	1,494,319
Total assets	2,784,997
Deferred outflows of resources:	
Pension	1,787,885
OPEB	679,070
Total deferred outflows of resources	2,466,955
Liabilities:	
Accounts payable	38,537
Accrued wages and benefits	5,443
Compensated absences	60,404
Pension and postemployment benefits payable	1,833
Intergovernmental payable	79
Leases payable	52,513
Accrued interest payable	10,611
Total current liabilities	169,420
Long-term liabilities:	
Compensated absences payable	122,560
Leases payable	174,214
Net pension liability	1,952,523
Net OPEB liability	344,039
Total long-term liabilities	2,593,336
Total liabilities	2,762,756
Deferred inflows of resources:	
Pension	174,788
OPEB	381,496
Total deferred inflows of resources	556,284
Net position:	
Net investment in capital assets	1,244,894
Unrestricted	688,018
Total net position	$ 1,932,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	NOECA
Operating revenues:	
Charges for services	$ 3,353,692
Operating expenses:	
Personal services	2,064,047
Purchased services	1,992,307
Materials and supplies	395,587
Other	32,127
Depreciation/amortization	100,390
Total operating expenses	4,584,458
Operating loss	(1,230,766)
Nonoperating revenues (expenses):	
Grants and subsidies	262,943
Interest revenue	56,856
Interest expense	(11,818)
Total nonoperating revenues (expenses)	307,981
Change in net position	(922,785)
Net position at beginning of year (restated)	2,855,697
Net position at end of year	$ 1,932,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	NOECA
Cash flows from operating activities:	
Cash received from other operations	$ 3,353,692
Cash payments for personal services	(1,673,073)
Cash payments for purchased services	(1,961,750)
Cash payments for materials and supplies	(387,607)
Cash payments for other expenses	(32,127)
Net cash used in operating activities	(700,865)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	262,943
Cash flows from capital and related financing activities:	
Interest expense	(1,207)
Principal retirement of lease	(62,905)
Acquisition of capital assets	(29,836)
Net cash used in capital and related financing activities	(93,948)
Cash flows from investing activities:	
Interest received	56,856
Net decrease in cash and cash equivalents	(475,014)
Cash and cash equivalents at beginning of year	1,746,843
Cash and cash equivalents at end of year	$ 1,271,829
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (1,230,766)
Adjustments:	
Depreciation/Amortization	100,390
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Net OPEB asset	(22,698)
Deferred outflows - pension	(1,787,885)
Deferred outflows - OPEB	(679,070)
Prepayments	(18,849)
Accounts payable	38,537
Accrued wages and benefits	5,443
Intergovernmental payable	79
Compensated absences payable	39,275
Pension and postemployment benefits payable	1,833
Net pension liability	1,952,523
Net OPEB liability	344,039
Deferred inflows - pension	174,788
Deferred inflows - OPEB	381,496
Net cash used in operating activities	$ (700,865)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial
Assets:	
Equity in pooled cash	
and investments	$ 11,754,268
Due from other governments	17,412
Prepayments	4,295
Total assets	11,775,975
Liabilities:	
Accounts payable	3,572
Unearned revenue	713,994
Total liabilities	717,566
Net position:	
Restricted for individuals, organizations and other governments	$ 11,058,409

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Custodial
Additions:	
Amounts received as fiscal agent	$ 37,122,265
Other amounts collected for distribution	567,206
Total additions	37,689,471
Deductions:	
Distributions as fiscal agent	42,524,436
Change in net position	(4,834,965)
Net position at beginning of year (restated)	15,893,374
Net position at end of year	$ 11,058,409

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ESC

The North Point Educational Service Center (the ESC) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The ESC is an Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Governing Board of Education (thirteen members) and is responsible for the provision of public education to residents of the local school ESCs that it services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's Governing Board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the ESC has no component units. The basic financial statements of the reporting entity include only those of the ESC (the primary government).

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments
The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of numerous school ESCs representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the ESC is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school ESC. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. Financial activity for fiscal year 2023 is reported in the basic financial statements as a custodial fund.

Northern Ohio Educational Computer Association
Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of numerous public school ESCs formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school ESCs. The NOECA Board of Directors consists of two representatives from each county in which participating school ESCs are located, the chairman of each of the operating committees and a representative from the ESC. Financial activity for 2023 is reported in the basic financial statements as an enterprise fund.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
The ESC participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

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

Huron-Erie School Employees Insurance Association
Huron-Erie School Employees Insurance Association (the Association) is a public entity risk pool comprised of numerous ESCs. The Association assembly consists of a superintendent or designated representative from each participating ESC and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating ESC is limited to its representation on the Board. On January 1, 2006, the ESC became fiscal agent for the Association. Financial activity for fiscal year 2023 is reported in the basic financial statements as an custodial fund. This financial activity does not include federal securities and various investments for which the treasurer of the ESC is not the custodian.

B. Fund Accounting

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

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

The proprietary fund is used to account for the ESC's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration.

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The ESC only enterprise fund is a major fund, NOECA, which accounts for computer services provided to member school districts.

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 custodial funds. The ESC's only fiduciary funds are custodial funds which account for various resources held for other organizations.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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 NOECA are charges for services. Operating expenses for the enterprise fund include the cost of services, materials and supplies, amortization/depreciation expenses and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Custodial funds are reported using the economic resources measurement focus.

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 use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, and in the presentation of expenses versus expenditures.

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 10 and 11 for deferred outflows of resources related to net pension liability and net OPEB liability/(asset), respectively.

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. 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. Unavailable revenue includes tuition revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 10 and 11 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are 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.

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

E. Cash and Investments

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

During fiscal year 2023, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The ESC 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 ESC measures their 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.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding $100 million is encouraged. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 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. The Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2023 amounted to $170,178, which includes $0 assigned from other ESC 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 ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the ESC's investment account at fiscal year end is provided in Note 4.

F. Capital Assets

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

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and leaseholder improvements	10 - 50 years	10 - 50 years
Furniture and equipment	5 - 20 years	5 - 20 years
Vehicles	6 - 10 years	n/a
Intangible right to use assets	5 years	5 years

The ESC is reporting intangible right to use assets related to leased equipment, vehicles and buildings. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

G. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*", a liability for vacation leave is accrued if (a) the employees' rights to payment are attributable to services already rendered; and (b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

H. Accrued Liabilities and Long-Term Obligations

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

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

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

I. Fund Balance

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

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

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

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

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

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

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

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the ESC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for other local grants.

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

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

K. Prepayments

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

L. Estimates

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the ESC, these revenues are charges for services for technology services provided by NOECA. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

N. Interfund Activity

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

N. Pensions/Other Postemployment Benefits (OPEB)

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

O. Fair Value

The ESC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

P. 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 2023.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2023, the ESC has implemented GASB Statement No. 91, "*Conduit Debt Obligations*", GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", GASB Statement No. 96, "*Subscription Based Information Technology Arrangements*", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the ESC.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the ESC.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the ESC.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the ESC.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the ESC.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassification / Restatement of Net Position

A net position restatement is required to reclassify the activity for NOECA from a custodial fund to a proprietary fund to properly reflect the activity on the ESC's financial statements.

	Business-Type Activities	Custodial Funds
Net position as previously reported	$ -	$ 17,474,527
NOECA custodial fund balance	1,581,153	(1,581,153)
Accrual adjustments	1,274,544	-
Restated net position at July 1, 2022	$ 2,855,697	$ 15,893,374

C. Deficit Fund Balance

Fund balances at June 30, 2023 included the following individual fund deficit:

Nonmajor fund	Deficit
ESSER	$ 110

The general fund is liable for any deficit in this fund 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

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

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

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

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

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

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

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

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the fair 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

6. No-load money market mutual funds consisting exclusively of obligations described in 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;

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the ESC and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the ESC had $43 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and investments".

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2023, the carrying amount of all ESC deposits was $2,649,977, and the bank balance of all ESC deposits was $2,843,583. None of the bank balance was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the ESC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the ESC and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, the ESC's financial institutions did not participate in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the ESC to a successful claim by the FDIC.

C. Investments

As of June 30, 2023, the ESC had the following investments and maturities:

Investment/Measurement type	Measurement Value	Investment Maturity 6 months or less
Amortized cost:		
STAR Ohio	$ 17,342,183	$ 17,342,183

Credit Risk is the possibility that an issuer or other counter party to an investment will not fulfill its obligation. The ESC's investments in STAR Ohio were assigned an AAAm money market rating by Standard & Poor's. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to only invest in securities authorized by State statute.

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2023:

Investment/Measurement type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 17,342,183	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2023:

Cash and cash equivalents per note	
Carrying amount of deposits	$ 2,649,977
Investments	17,342,183
Cash on hand	43
Total	$ 19,992,203

Cash and cash equivalents per statement of net position	
Governmental activities	$ 6,966,106
Business-type activities	1,271,829
Custodial funds	11,754,268
Total	$ 19,992,203

NOTE 5 - RECEIVABLES

Receivables at June 30, 2023 consisted of accounts (charges for individual tuition and other services) and intergovernmental (grants and billings to school ESCs for user charged services). All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Accounts	$ 20
Intergovernmental	303,001
Total	$ 303,021

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

NOTE 6 - STATE FUNDING

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

For fiscal year 2022 and subsequent, the ESC also received funding from the Department of Education and Workforce using a new funding model which is based on student count. Any change in funding will be subject to a phase in percentage of 33.33 percent for fiscal year 2023. This amount is paid from State resources. The Department of Education and Workforce also deducts from the State Foundation Program settlement of each of the ESC's local and client school districts an amount equal to $6.50 times the school district's total student count and remits this amount to the ESC.

NOTE 6 - STATE FUNDING - (Continued)

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

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for governmental activities for the fiscal year ended June 30, 2023, was as follows:

	Balance 6/30/22	Additions	Deductions	Balance 6/30/23
Capital assets, not being depreciated/amortized:				
Land	$ 114,850	$ -	$ -	$ 114,850
Capital assets, being depreciated/amortized:				
Buildings and leaseholder improvements	1,682,983	-	-	1,682,983
Furniture and equipment	299,024	36,869	(6,100)	329,793
Vehicles	42,105	-	-	42,105
Intangible right to use:				
Leased equipment	33,606	46,394	-	80,000
Leased vehicles	15,982	-	-	15,982
Leased buildings	297,775	310,727	-	608,502
Total capital assets, being depreciated/amortization	2,371,475	393,990	(6,100)	2,759,365
Less: accumulated depreciation/amortization				
Buildings and leaseholder improvements	(517,783)	(100,972)	-	(618,755)
Furniture and equipment	(246,836)	(3,084)	-	(249,920)
Vehicles	(27,104)	-	-	(27,104)
Intangible right to use:				
Leased equipment	(8,767)	(13,090)	-	(21,857)
Leased vehicles	(4,439)	(5,327)	-	(9,766)
Leased buildings	(101,891)	(99,077)	-	(200,968)
Total accumulated depreciation/amortization	(906,820)	(221,550)	-	(1,128,370)
Governmental activities capital assets, net	$ 1,579,505	$ 172,440	$ (6,100)	$ 1,745,845

Depreciation/amortization expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 20,299
Special	80,674
Support services:	
Instructional staff	987
Administration	117,494
Central	735
Operations and maintenance	1,361
Total depreciation/amortization expense	$ 221,550

NOTE 7 - CAPITAL ASSETS - (Continued)

B. Business-Type Activities

The ESC reclassified the NOECA fund in fiscal year 2023 from a custodial fund to an enterprise fund. Previously, capital assets were not reported for this fund, see Note 3C. Capital asset activity for the business-type activities for the fiscal year ended June 30, 2023, was as follows:

	Restated Balance 6/30/22	Additions	Deductions	Balance 6/30/23
Capital assets, not being depreciated/amortized:				
Land	$ 52,000	$ -	$ -	$ 52,000
Capital assets, being depreciated/amortized:				
Buildings and leaseholder improvements	2,000,905	9,790	-	2,010,695
Furniture and equipment	-	20,046	-	20,046
Intangible right to use:				
Leased equipment	-	289,632	-	289,632
Total capital assets, being depreciated/amortization	2,000,905	319,468	-	2,320,373
Less: accumulated depreciation/amortization				
Buildings and leaseholder improvements	(800,362)	(40,072)	-	(840,434)
Furniture and equipment	-	(3,341)	-	(3,341)
Intangible right to use:				
Leased equipment	-	(56,977)	-	(56,977)
Total accumulated depreciation/amortization	(800,362)	(100,390)	-	(900,752)
Business-type activities capital assets, net	$ 1,252,543	$ 219,078	$ -	$ 1,471,621

NOTE 8 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During fiscal year 2023, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding 6/30/22	Additions	Reductions	Balance Outstanding 6/30/23	Amounts Due in One Year
Leases payable	$ 241,916	$ 357,121	$ (109,804)	$ 489,233	$ 112,732
Net pension liability	12,698,996	6,300,557	-	18,999,553	-
Net OPEB liability	1,885,916	-	(842,362)	1,043,554	-
Compensated absenses	942,707	172,540	(161,539)	953,708	158,127
Total	$ 15,769,535	$ 6,830,218	$ (1,113,705)	$ 21,486,048	$ 270,859

Leases Payable – The ESC has entered into lease agreements for the use of right to use equipment, buildings, and vehicles. The ESC will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The ESC has entered into lease agreements for buildings, copier equipment and a vehicle at varying years and terms as follows:

Description	Commencement Date	Years	End Date
Office space:			
Outback Plaza	2017, 2023	5	2025
Galloway Rd.	2016, 2022	5	2027
Copier Equipment	2020, 2023	5	2025
Car lease	2021	3	2024

The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2024	$ 112,732	$ 21,901	$ 134,633
2025	113,619	16,225	129,844
2026	119,281	10,439	129,720
2027	125,558	4,329	129,887
2028	18,043	105	18,148
Total	$ 489,233	$ 52,999	$ 542,232

Net Pension Liability: The ESC's net pension liability is described in Note 10. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/(Asset): The ESC's net OPEB liability/(asset) is described in Note 11. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

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

B. Business-Type Activities

The ESC reclassified the NOECA fund in fiscal year 2023 from a custodial fund to an enterprise fund. Previously, long-term obligations were not reported for this fund, see Note 3C. During fiscal year 2023, the following activity occurred in business-type activities long-term obligations:

	Restated Balance Outstanding 6/30/22	Additions	Reductions	Balance Outstanding 6/30/23	Amounts Due in One Year
Leases payable	$ -	$ 289,632	$ (62,905)	$ 226,727	$ 52,513
Net pension liability	-	1,952,523	-	1,952,523	-
Net OPEB liability	-	344,039	-	344,039	-
Compensated absenses	143,689	83,557	(44,282)	182,964	60,404
Total	$ 143,689	$ 2,669,751	$ (107,187)	$ 2,706,253	$ 112,917

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Leases Payable – The ESC has entered into lease agreements for the use of right to use equipment. The ESC will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

The ESC has entered into a lease agreement for computer equipment as follows:

Description	Commencement Date	Years	End Date
Computer Equipment	2023	5	2027

The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2024	$ 52,513	$ 11,599	$ 64,112
2025	55,199	8,913	64,112
2026	58,023	6,089	64,112
2027	60,992	3,120	64,112
Total	$ 226,727	$ 29,721	$ 256,448

NOTE 9 - RISK MANAGEMENT

A. The ESC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2023, the ESC has contracted with various insurance commercial carriers to provide insurance coverage for the following risks:

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

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

B. Employee Health Benefits

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

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

NOTE 9 - RISK MANAGEMENT - (Continued)

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

C. Workers' Compensation Group Rating Plan

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* 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 basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The ESC's 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the ESC is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The ESC's contractually required contribution to SERS was $557,067 for fiscal year 2023. Of this amount, $53,203 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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 is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

NOTE 10 - 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. New members, on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The ESC's contractually required contribution to STRS was $1,443,069 for fiscal year 2023. Of this amount, $157,717 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ESC's proportion of the net pension liability was based on the ESC's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.096482900%	0.071477624%	
Proportion of the net pension liability current measurement date	0.096670000%	0.070730190%	
Change in proportionate share	0.000187100%	-0.000747434%	
Proportionate share of the net pension liability	$ 5,228,666	$ 15,723,410	$ 20,952,076
Pension expense	$ (25,020)	$ 1,234,929	$ 1,209,909

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2023, the ESC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 211,765	$ 201,282	$ 413,047
Net difference between projected and actual earnings on pension plan investments	-	547,139	547,139
Changes of assumptions	51,592	1,881,619	1,933,211
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	112,086	1,186,673	1,298,759
Contributions subsequent to the measurement date	557,067	1,443,069	2,000,136
Total deferred outflows of resources	$ 932,510	$ 5,259,782	$ 6,192,292

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 34,325	$ 60,146	$ 94,471
Net difference between projected and actual earnings on pension plan investments	182,455	-	182,455
Changes of assumptions	-	1,416,319	1,416,319
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	150,203	2,306,793	2,456,996
Total deferred inflows of resources	$ 366,983	$ 3,783,258	$ 4,150,241

$2,000,136 reported as deferred outflows of resources related to pension resulting from ESC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

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:			
2024	$ (68,849)	$ (946,612)	$ (1,015,461)
2025	22,787	(901,136)	(878,349)
2026	(17,615)	(1,129,722)	(1,147,337)
2027	72,137	3,010,925	3,083,062
Total	$ 8,460	$ 33,455	$ 41,915

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the ESC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 7,696,346	$ 5,228,666	$ 3,149,678

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.
**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the ESC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 23,752,349	$ 15,723,410	$ 8,933,414

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the ESC's surcharge obligation was $71,288.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The ESC's contractually required contribution to SERS was $71,288 for fiscal year 2023. Of this amount, $71,288 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability (asset) used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The ESC's proportion of the net OPEB liability (asset) was based on the ESC's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

	SERS	STRS	Total
Proportion of the net OPEB liability/(asset) prior measurement date	0.099647800%	0.071477624%	
Proportion of the net OPEB liability/(asset) current measurement date	0.098830700%	0.070730190%	
Change in proportionate share	-0.000817100%	-0.000747434%	
Proportionate share of the net OPEB liability	$ 1,387,593	$ -	$ 1,387,593
Proportionate share of the net OPEB (asset)	$ -	$ (1,831,440)	$ (1,831,440)
OPEB expense	$ (238,657)	$ (26,450)	$ (265,107)

At June 30, 2023, the ESC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 11,664	$ 26,553	$ 38,217
Net difference between projected and actual earnings on OPEB plan investments	7,212	31,879	39,091
Changes of assumptions	220,715	78,013	298,728
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	600,300	18,282	618,582
Contributions subsequent to the measurement date	71,288	-	71,288
Total deferred outflows of resources	$ 911,179	$ 154,727	$ 1,065,906

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 887,607	$ 275,048	$ 1,162,655
Changes of assumptions	569,620	1,298,666	1,868,286
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	1,065,421	31,183	1,096,604
Total deferred inflows of resources	$ 2,522,648	$ 1,604,897	$ 4,127,545

$71,288 reported as deferred outflows of resources related to OPEB resulting from ESC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	$ (422,950)	$ (416,463)	$ (839,413)
2025	(401,041)	(427,070)	(828,111)
2026	(346,541)	(200,180)	(546,721)
2027	(217,196)	(82,639)	(299,835)
2028	(120,490)	(107,204)	(227,694)
Thereafter	(174,539)	(216,614)	(391,153)
Total	$ (1,682,757)	$ (1,450,170)	$ (3,132,927)

Actuarial Assumptions - SERS

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

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.69%
Prior measurement date	1.92%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.08%
Prior measurement date	2.27%
Medical trend assumption:	
Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the ESC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 1,723,412	$ 1,387,593	$ 1,116,497

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 1,070,083	$ 1,387,593	$ 1,802,313

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.
**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the ESC's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB (asset) as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB (asset)	$ (1,695,947)	$ (1,831,440)	$ (1,949,925)

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB (asset)	$ (1,899,649)	$ (1,831,440)	$ (1,745,343)

NOTE 12 - CONTINGENCIES

A. Grants

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

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Educational service 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 and Workforce is legislatively required to follow will continue to adjust as enrollment information is updated by the ESC, which can extend past the fiscal year-end. As a result of the final fiscal year 2022 FTE reviews, an immaterial intergovernmental payable was due to ESC from Ohio Department of Education and Workforce.

NOTE 13 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General	$ 739,975

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020
ESC's proportion of the net pension liability	0.096670000%	0.096482900%	0.09942760%	0.11615970%
ESC's proportionate share of the net pension liability	$ 5,228,666	$ 3,559,939	$ 6,576,351	$ 6,950,039
ESC's covered payroll	$ 3,571,214	$ 3,365,314	$ 3,476,257	$ 3,977,296
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	146.41%	105.78%	189.18%	174.74%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
0.12040340%	0.12608550%	0.12765530%	0.12878280%	0.15575100%	0.15575100%
$ 6,895,726	$ 7,533,330	$ 9,343,190	$ 7,348,471	$ 7,862,469	$ 9,262,012
$ 3,849,548	$ 4,171,793	$ 4,065,500	$ 3,877,033	$ 4,525,815	$ 3,664,689
179.13%	180.58%	229.82%	189.54%	173.72%	252.74%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

NORTH POINT EDUCATIONAL SERVICE CENTER
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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020
ESC's proportion of the net pension liability	0.070730190%	0.071477624%	0.07451796%	0.07747567%
ESC's proportionate share of the net pension liability	$ 15,723,410	$ 9,139,057	$ 18,030,695	$ 17,133,279
ESC's covered payroll	$ 8,318,964	$ 8,947,129	$ 8,294,086	$ 8,508,457
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	189.01%	102.15%	217.39%	201.37%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
0.08043122%	0.08194262%	0.07971647%	0.08269208%	0.08659003%	0.08659003%
$ 17,685,019	$ 19,465,645	$ 26,683,505	$ 22,853,672	$ 21,061,692	$ 25,088,550
$ 8,515,871	$ 8,015,050	$ 7,765,879	$ 8,834,186	$ 8,847,108	$ 10,074,808
207.67%	242.86%	343.60%	258.70%	238.06%	249.02%
77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020
Contractually required contribution	$ 557,067	$ 499,970	$ 471,144	$ 486,676
Contributions in relation to the contractually required contribution	(557,067)	(499,970)	(471,144)	(486,676)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,979,050	$ 3,571,214	$ 3,365,314	$ 3,476,257
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2019		2018		2017		2016		2015		2014
$	536,935	$	519,689	$	584,051	$	569,170	$	510,993	$	627,278
	(536,935)		(519,689)		(584,051)		(569,170)		(510,993)		(627,278)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,977,296	$	3,849,548	$	4,171,793	$	4,065,500	$	3,877,033	$	4,525,815
	13.50%		13.50%		14.00%		14.00%		13.18%		13.86%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020
Contractually required contribution	$ 1,443,069	$ 1,164,655	$ 1,252,598	$ 1,161,172
Contributions in relation to the contractually required contribution	(1,443,069)	(1,164,655)	(1,252,598)	(1,161,172)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 10,307,636	$ 8,318,964	$ 8,947,129	$ 8,294,086
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019		2018		2017		2016		2015		2014	
$	1,191,184	$	1,192,222	$	1,122,107	$	1,087,223	$	1,236,786	$	1,150,124
	(1,191,184)		(1,192,222)		(1,122,107)		(1,087,223)		(1,236,786)		(1,150,124)
$	-	$	-	$	-	$	-	$	-	$	-
$	8,508,457	$	8,515,871	$	8,015,050	$	7,765,879	$	8,834,186	$	8,847,108
	14.00%		14.00%		14.00%		14.00%		14.00%		13.00%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2023	2022	2021	2020
ESC's proportion of the net OPEB liability	0.098830700%	0.099647800%	0.10361750%	0.11895730%
ESC's proportionate share of the net OPEB liability	$ 1,387,593	$ 1,885,916	$ 2,251,947	$ 2,991,526
ESC's covered payroll	$ 3,571,214	$ 3,365,314	$ 3,476,257	$ 3,977,296
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.85%	56.04%	64.78%	75.22%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	15.57%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017
	0.12208750%	0.12804730%	0.12918577%
	$ 3,387,037	$ 3,436,453	$ 3,682,272
	$ 3,849,548	$ 4,171,793	$ 4,065,500
	87.99%	82.37%	90.57%
	13.57%	12.46%	11.49%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE ESC'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/(ASSET)
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	2023	**2022**	**2021**	**2020**
ESC's proportion of the net OPEB liability/(asset)	0.070730190%	0.071477624%	0.07451796%	0.07747567%
ESC's proportionate share of the net OPEB liability/(asset)	$ (1,831,440)	$ (1,507,047)	$ (1,309,653)	$ (1,283,183)
ESC's covered payroll	$ 8,318,964	$ 8,947,129	$ 8,294,086	$ 8,508,457
ESC's proportionate share of the net OPEB liability/(asset) as a percentage of its covered payroll	22.02%	16.84%	15.79%	15.08%
Plan fiduciary net position as a percentage of the total OPEB liability/(asset)	230.73%	174.73%	182.10%	174.70%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019		2018		2017	
	0.08043122%		0.08194262%		0.07971647%
$	(1,292,447)	$	3,197,099	$	4,263,258
$	8,515,871	$	8,015,050	$	7,765,879
	15.18%		39.89%		54.90%
	176.00%		47.10%		37.30%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020
Contractually required contribution	$ 71,288	$ 64,464	$ 64,760	$ 68,655
Contributions in relation to the contractually required contribution	(71,288)	(64,464)	(64,760)	(68,655)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,979,050	$ 3,571,214	$ 3,365,314	$ 3,476,257
Contributions as a percentage of covered payroll	1.79%	1.81%	1.92%	1.97%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
$ 92,102	$ 84,931	$ 70,250	$ 64,601	$ 105,534	$ 78,195
(92,102)	(84,931)	(70,250)	(64,601)	(105,534)	(78,195)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,977,296	$ 3,849,548	$ 4,171,793	$ 4,065,500	$ 3,877,033	$ 4,525,815
2.32%	2.21%	1.68%	1.59%	2.72%	1.73%

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 10,307,636	$ 8,318,964	$ 8,947,129	$ 8,294,086
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019		2018		2017		2016		2015		2014	
$	-	$	-	$	-	$	-	$	-	$	88,471
	-		-		-		-		-		(88,471)
$	-	$	-	$	-	$	-	$	-	$	-
$	8,508,457	$	8,515,871	$	8,015,050	$	7,765,879	$	8,834,186	$	8,847,108
	0.00%		0.00%		0.00%		0.00%		0.00%		1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

Changes in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 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, (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 and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.

(Continued)

PENSION (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :
- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023.

Changes in assumptions :
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (CONTINUED)

Changes in assumptions :

- For fiscal year 2017, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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 the following: 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, (g) mortality among disabled members was updated to the following: 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.

- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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 the following: 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, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.
- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.

- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (CONTINUED)

Changes in assumptions (continued) :

- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal AL Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF TREASURY		
Passed Through Ohio Office of Budget Management		
COVID-19 Coronavirus State and Local Fiscal Recovery Funds-School Safety Grant	21.027	$ 66,429
Total U.S. Department of Treasury		**66,429**
U.S. DEPARTMENT OF EDUCATION		
Direct Program		
Safe and Drug-Free Schools and Communities - National Programs	84.184	15,118
Passed Through Ohio Department of Education and Workforce		
Title I Grants to Local Educational Agencies	84.010A	36,604
Education Stabilization Fund:		
COVID-19 Governor's Emergency Education Fund (GEER I)	84.425C	31,381
COVID-19 Governor's Emergency Education Fund (GEER II)	84.425C	212,983
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	28,626
COVID-19 American Rescue Plan Act Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	710,417
Passed Through Management Council of Ohio Education Computer Network (MCOECN)		
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) Middle Mile ITC Upgrade	84.425D	90,000
Total Education Stabilization Fund		1,073,407
Total U.S. Department of Education		**1,125,129**
Total Expenditures of Federal Awards		**$ 1,191,558**

The accompanying notes are an integral part of this schedule.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Point Educational Service Center, Erie County, Ohio (the ESC) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the ESC, it is not intended to and does not present the financial position, changes in net position, or cash flows of the ESC.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education and Workforce's consent, the ESC can transfer unobligated amounts to the subsequent fiscal year's program. The ESC transferred the following amounts from 2023 to 2024 programs:

Program Title	AL Number	Amount Transferred
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	$ 948,265

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 1,225,000	$ 1,225,000	$ 1,304,053	$ 79,053
Investment earnings	11,000	161,000	169,948	8,948
Tuition and fees	15,345,000	15,845,000	16,646,049	801,049
Rental income	3,000	3,000	2,970	(30)
Charges for services	1,589,000	1,589,000	1,653,475	64,475
Miscellaneous	43,000	43,000	44,499	1,499
Total revenues	18,216,000	18,866,000	19,820,994	954,994
Expenditures:				
Current:				
Instruction:				
Regular	2,129,600	2,468,799	1,958,751	510,048
Special	7,970,587	7,753,292	6,887,261	866,031
Support services:				
Pupil	6,595,815	6,393,033	5,665,135	727,898
Instructional staff	3,424,781	2,921,873	1,931,329	990,544
Board of education	95,956	144,853	101,511	43,342
Administration	1,189,343	1,182,234	887,750	294,484
Fiscal	344,394	669,596	510,109	159,487
Operations and maintenance	964,317	1,171,594	800,276	371,318
Central	389,983	982,829	899,765	83,064
Facilities acquisition and construction	183,387	250,060	164,585	85,475
Total expenditures	23,288,163	23,938,163	19,806,472	4,131,691
Excess of revenues over (under) expenditures	(5,072,163)	(5,072,163)	14,522	5,086,685
Other financing sources:				
Refund of prior year's expenditures	-	-	4,659	4,659
Net change in fund balance	(5,072,163)	(5,072,163)	19,181	5,091,344
Fund balance at beginning of year	4,813,150	4,813,150	4,813,150	-
Prior year encumbrances appropriated	259,013	259,013	259,013	-
Fund balance at end of year	$ -	$ -	$ 5,091,344	$ 5,091,344

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General fund
Budget basis	$ 19,181
Net adjustment for revenue accruals	174,735
Net adjustment for expenditure accruals	(731,459)
Net adjustment for other sources and uses	352,462
Funds budgeted elsewhere	1,905
Adjustment for encumbrances	838,371
GAAP basis	$ 655,195

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

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OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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

North Point Education Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870-5842

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Point Educational Service Center, Erie County, Ohio (the ESC) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated March 11, 2024, wherein we noted the ESC restated its beginning net position to reclassify the activity for NOECA from a custodial fund to a proprietary fund to properly reflect the activity.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the ESC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ESC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ESC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the ESC's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ESC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ESC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ESC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2024

OHIO AUDITOR OF STATE
KEITH FABER

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

North Point Educational Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870-5842

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited North Point Educational Service Center, Erie County, Ohio's (the ESC) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on North Point Educational Service Center's major federal program for the year ended June 30, 2023. North Point Educational Service Center's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, North Point Educational Service Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the ESC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the ESC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The ESC's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the ESC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the ESC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the ESC's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the ESC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the ESC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the ESC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2024

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NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Program's Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Program (list):**	Education Stabilization Fund AL #84.425
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

NORTH POINT EDUCATIONAL SERVICE CENTER

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 3/26/2024

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