OHIO AUDITOR OF STATE
KEITH FABER

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY
JUNE 30, 2020

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SENECA COUNTY
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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

North Central Ohio Educational Service Center
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Ohio Educational Service Center, Seneca County, Ohio (the ESC), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ESC, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2020, the ESC adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the ESC. We did not modify our opinion regarding this matter.

As discussed in Note 18 to the financial statements, the ESC has suffered recurring losses from operations and has a net deficiency of $951,816 in the General fund. Note 18 also describes management's evaluation of the events and conditions and their plan to mitigate these matters. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP) Budgetary Basis) General fund and Miscellaneous State Grants fund present additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ESC's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2021

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The management's discussion and analysis of the North Central Ohio 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, 2020. 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 2020 are as follows:

- In total, net position of governmental activities increased $738,494 which represents a 2.65% increase from 2019's restated net position.

- General revenues accounted for $1,222,422 in revenue or 6.09% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for $18,848,719 or 93.91% of total revenues of $20,071,141.

- The ESC had $19,332,647 expenses related to governmental activities; these expenses were offset by program specific charges for services, grants or contributions of $18,848,719. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,222,422 were also available for these programs.

- The ESC's two major governmental funds are the General fund and the Miscellaneous State Grants fund. The General fund had $17,755,133 in revenues and other financing sources and $17,534,363 in expenditures and other financing uses. During fiscal year 2020, the General fund's fund balance increased $220,770 from a deficit restated balance of $1,172,586 to a deficit balance of $951,816.

- The Miscellaneous State Grants fund had $292,552 in revenues and $283,784 in expenditures. During fiscal year 2020, the Miscellaneous State Grants fund's fund balance increased $8,768 from a fund balance of $6,522 to a balance of $15,290.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole 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 also 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 Miscellaneous State Grants fund are by far the most significant funds, and the only two governmental funds reported as major funds.

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 we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's *net position* and changes in that position. This 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.

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

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 major governmental funds are the General fund and the Miscellaneous State Grants 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 the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals. These activities are reported in a custodial fund. All of the ESC's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the ESC's other financial statements because the assets 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 pension liability and net OPEB liability/asset.

Supplementary Information

The ESC has presented budgetary comparison schedules for the General fund and Miscellaneous State Grants fund as supplementary information.

The ESC as a Whole

The statement of net position provides the perspective of the ESC as a whole. The table below provides a summary of the ESC's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.B in the notes to the basic financial statements.

Net Position

	Governmental Activities 2020	Restated Governmental Activities 2019
Assets		
Current assets	$ 3,136,002	$ 3,179,530
Capital assets, net	3,515,350	3,550,778
Total assets	6,651,352	6,730,308
Deferred outflows of resources		
Pension	4,934,730	6,616,710
OPEB	610,049	498,879
Total deferred outflows of resources	5,544,779	7,115,589
Liabilities		
Current liabilities	1,859,428	2,332,808
Long-term liabilities:		
Due within one year	407,370	364,738
Due in more than one year:		
Net pension liability	23,804,622	24,284,792
Net OPEB liability	2,995,980	3,926,483
Other amounts	3,590,797	3,805,461
Total liabilities	32,658,197	34,714,282
Deferred inflows of resources		
Pension	3,302,303	4,270,542
OPEB	3,323,176	2,687,112
Total deferred inflows of resources	6,625,479	6,957,654
Net Position		
Net investment in capital assets	930,278	832,440
Restricted	693,122	497,318
Unrestricted	(28,710,945)	(29,155,797)
Total net position	$ (27,087,545)	$ (27,826,039)

The net pension liability (NPL) is the largest single liability reported by the ESC at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The ESC adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the ESC's actual financial condition by adding deferred inflows related to pension and

OPEB, the net pension liability and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset 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.

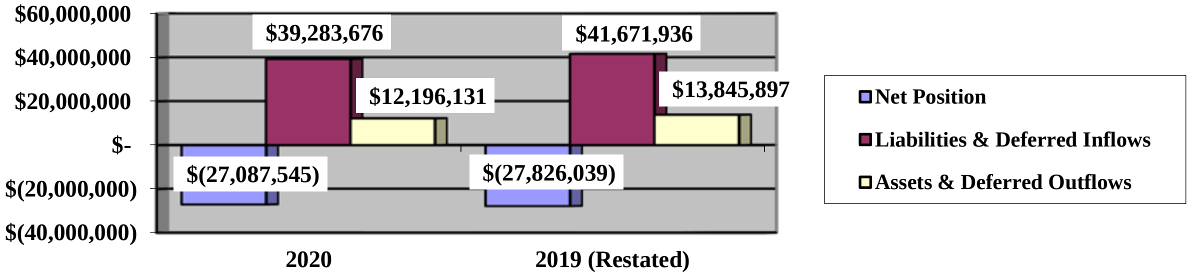
Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes 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/asset, 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, 2020, the ESC's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $27,087,545. Of this total, $693,122 is restricted in use leaving the ESC with unrestricted net position with a deficit of $28,710,945.

The graph below illustrates the ESC's governmental activities assets, liabilities, and net position at June 30, 2020 and June 30, 2019 (restated).

Governmental Activities



The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.B in the notes to the basic financial statements.

Change in Net Position

	Governmental Activities 2020	(Restated) Governmental Activities 2019
Revenues		
Program revenues:		
Charges for services and sales	$ 16,554,136	$ 16,260,515
Operating grants and contributions	2,294,583	1,934,033
General revenues:		
Grants and entitlements, unrestricted	1,000,877	881,952
Investment earnings	10,573	19,578
Other	210,972	238,549
Total revenues	20,071,141	19,334,627

(Continued)

Change in Net Position (Continued)

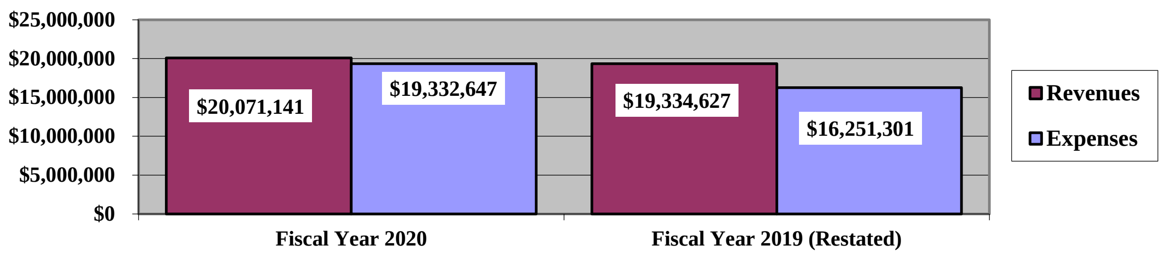
	Governmental Activities 2020	(Restated) Governmental Activities 2019
Expenses		
Program expenses:		
Instruction:		
Regular	$ 1,689,488	$ 1,588,354
Special	4,150,922	3,442,403
Other	300,883	283,304
Support services:		
Pupil	4,180,740	3,080,247
Instructional staff	3,612,798	2,962,707
Board of education	116,035	95,764
Administration	2,288,529	1,986,568
Fiscal	802,810	738,191
Business	134,820	138,191
Operations and maintenance	464,877	464,372
Pupil transportation	97,847	105,111
Central	1,090,461	1,031,937
Operations of non-instructional services:		
Other non-instructional services	253,968	222,085
Food service operations	11,177	13,620
Extracurricular activities	56,328	18,846
Interest and fiscal charges	80,964	79,601
Total expenses	19,332,647	16,251,301
Change in net position	738,494	3,083,326
Net position (deficit) at beginning of year (restated)	(27,826,039)	(30,909,365)
Net position (deficit) at end of year	$ (27,087,545)	$ (27,826,039)

Governmental Activities

Net position of the ESC's governmental activities increased $738,494. Total governmental expenses of $19,332,647 were adequately offset by program revenues of $18,848,719 and general revenues of $1,222,422. Program revenues supported 97.50% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from contract services and charges for services. These revenue sources represent 82.48% of total governmental revenue.

The graph below presents the ESC's governmental activities revenues and expenses for fiscal year 2020 and 2019 (restated).

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.

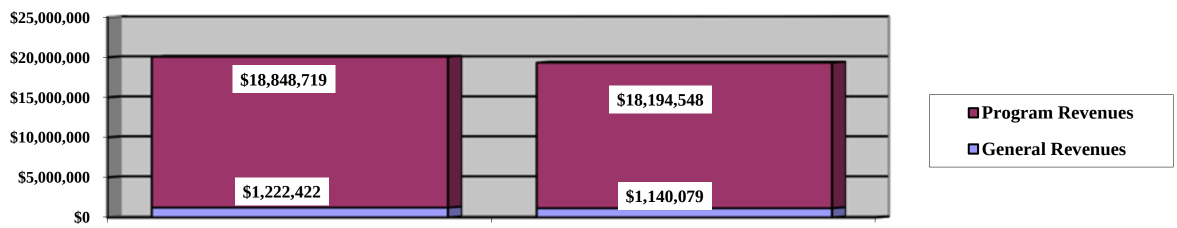
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	(Restated) Total Cost of Services 2019	(Restated) Net Cost of Services 2019
Program expenses				
Instruction:				
Regular	$ 1,689,488	$ 23,668	$ 1,588,354	$ (352,139)
Special	4,150,922	(139,623)	3,442,403	(714,319)
Other	300,883	300,883	283,304	283,304
Support services:				
Pupil	4,180,740	(153,467)	3,080,247	(603,212)
Instructional staff	3,612,798	(217,607)	2,962,707	(542,042)
Board of education	116,035	116,035	95,764	95,764
Administration	2,288,529	(55,431)	1,986,568	(380,380)
Fiscal	802,810	(25,516)	738,191	(134,595)
Business	134,820	134,820	138,191	138,191
Operations and maintenance	464,877	(13,460)	464,372	(44,205)
Pupil transportation	97,847	97,847	105,111	105,111
Central	1,090,461	28,902	1,031,937	(110,045)
Operations of non-instructional services:				
Other non-instructional services	253,968	252,187	222,085	219,903
Food service operations	11,177	(627)	13,620	(1,270)
Extracurricular activities	56,328	54,353	18,846	17,086
Interest and fiscal charges	80,964	80,964	79,601	79,601
Total expenses	$ 19,332,647	$ 483,928	$ 16,251,301	$ (1,943,247)

For all governmental activities, program revenue support is 97.50%. The primary support for the ESC is contracted fees for services provided to other districts.

The graph below presents the ESC's governmental activities revenues for fiscal year 2020 and 2019 (restated).

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance deficit of $892,118, which reflects a smaller deficit than the $1,114,733 deficit in fiscal year 2019's restated total. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019 (restated).

	Fund Balance (deficit) June 30, 2020	(Restated) Fund Balance (deficit) June 30, 2019	Change	Percentage Change
General	$ (951,816)	$ (1,172,586)	$ 220,770	18.83 %
Miscellaneous State Grants	15,290	6,522	8,768	(134.44) %
Other Governmental	44,408	51,331	(6,923)	(13.49) %
Total	$ (892,118)	$ (1,114,733)	$ 222,615	19.97 %

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General Fund

The ESC's General fund balance increased by $220,770.

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

	2020 Amount	(Restated) 2019 Amount	Change	Percentage Change
Revenues				
Tuition	$ 11,501,369	$ 11,168,663	$ 332,706	2.98 %
Earnings on investments	10,573	19,578	(9,005)	(46.00) %
Contributions and donations	4,415	26,121	(21,706)	(83.10) %
Contract services	4,306,796	4,382,401	(75,605)	(1.73) %
Other revenues	946,570	811,665	134,905	16.62 %
Intergovernmental	956,994	881,952	75,042	8.51 %
Total	$ 17,726,717	$ 17,290,380	$ 436,337	2.52 %
Expenditures				
Instruction	$ 5,648,883	$ 6,081,172	$ (432,289)	(7.11) %
Support services	11,240,235	10,982,528	257,707	2.35 %
Non-instructional services	256,714	270,015	(13,301)	(4.93) %
Extracurricular activities	55,578	22,055	33,523	152.00 %
Facilities acquisition and construction	37,400	-	37,400	100.00 %
Capital outlay	28,416	-	28,416	100.00 %
Debt service	2,145	11,381	(9,236)	(81.15) %
Total	$ 17,269,371	$ 17,367,151	$ (97,780)	(0.56) %

Overall revenues of the General fund increased $436,337 or 2.52%. This increase was primarily due to an increase of $332,706 or 2.98% in tuition from an increase in contracts paid by schools through foundation. Overall expenditures of the General fund decreased $97,780 or 0.56%. Instruction expenditures decreased $432,289 or 7.11% due to having fewer employees in fiscal year 2020. All other revenue and expenditures remained comparable to the prior fiscal year.

Miscellaneous State Grant Fund

The Miscellaneous State Grant fund had $292,552 in revenues and $283,784 in expenditures. During fiscal year 2020, the Miscellaneous State Grants' fund balance increased $8,768 from a balance of $6,522 to a balance of $15,290.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the ESC had $3,515,350 invested in land, buildings and improvements, furniture and equipment and software. This entire amount is reported in governmental activities. The following table shows June 30, 2020 balances compared to June 30, 2019.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities 2020	Governmental Activities 2019
Land	$ 148,850	$ 148,850
Building and improvements	3,111,981	3,152,232
Furniture and equipment	254,519	249,696
Total	$ 3,515,350	$ 3,550,778

The overall decrease in capital assets of $35,428 is due to depreciation expense of $168,035 exceeding capital outlays of $132,607.

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

Debt Administration

At June 30, 2020, the ESC had a $3,112,555 in promissory notes, loans, and capital leases outstanding. Of this amount, $286,672 is due in one year with the remaining amount of $2,825,883 due within more than one year. The following table summarizes the outstanding debt at fiscal year end.

Outstanding Debt, at Year End

	Governmental Activities 2020	Governmental Activities 2019
Promissory note	$ 2,395,000	$ 2,555,000
Capital lease	26,734	-
IT Loan	265,821	265,821
LGIF loan payable	425,000	475,000
Total	$ 3,112,555	$ 3,295,821

See Note 9 to the basic financial statements for further detail on the ESC's debt administration.

Current Financial Related Activities

The ESC's General fund ended with an ending cash-basis balance of less than $563,000. The agency's revenues exceeded expenditures by over $220,000 in the General fund. There were several contributing factors to the General fund's financial position. One was the loss of revenue received from no longer having Marion City School District as a member school. The loss of State and Local per pupil funding and contracted services has had an impact in the fiscal year 2019 and 2020. Other factors include the loss of funds resulting from operating failed Community Schools in the past. One other factor is the depletion of cash from a contract with Tri-Rivers Career Center located in Marion County. The ESC received over $770,000 in year one of a four year grant project and the ESC has used these funds to provide the services to the Career Center. At the conclusion of fiscal year 2020, there was just over $118,000 remaining for the final year of the contract and corresponding "Straight-A State Grant."

The ESC was approved by the Ohio Department of Education as a High Performing ESC application. The ESC provided a savings of $2,120,841.49 which was equal to 46.11% in the five areas of service, Speech, Vision, Special Education Supervision, Early Childhood Programming and Gifted Supervision/Instruction. The ESC received the designation of High Performing ESC which increases the State's share of per pupil funding to $26.00/pupil or ADM.

Our ESC continues to grow by providing new services, programs, technology, professional development and special education services on behalf of the schools we serve through cost effective delivery and quality customer service to meet the educational needs of our partners. The ESC relies heavily on contracts with local, city, and exempted village school districts in Crawford, Seneca, Sandusky, Marion, Morrow, Union, and Wyandot Counties since the State Subsidy amount comprises less than 7% of our overall funding sources.

The ESC has recovered from the loss of Marion City as a member school by adding new member schools from Richland and Crawford Counties. The ESC continues to offer services to schools and agencies outside our core membership. The ESC billed out over $4,000,000 in billed services in fiscal year 2020. Fortunately, the ESC was not directly impacted adversely from the COVID-19 Pandemic as did other local public schools. The State of Ohio cut public school funding in May of 2020 due to the loss in tax revenue at the State level. All ESCs statewide were held harmless from the State funding cuts.

The Board of Governors has adopted a Fiscal Stabilization Plan designed to take measures to contain costs. The plan is comprised of three phases which are triggered by the cash position of the General fund. Currently, the ESC is in Phase One of the three phases due to the General fund cash-basis balance being less than $500.000.

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 the Treasurer's Office, North Central Ohio Educational Service Center, 928 West Market Street, Suite A, Tiffin, Ohio 44883-2529.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 672,832
Receivables:	
Accounts.	14,294
Intergovernmental, net	1,188,895
Net OPEB asset	1,259,981
Capital assets:	
Nondepreciable capital assets	148,850
Depreciable capital assets, net.	3,366,500
Capital assets, net	3,515,350
Total assets.	6,651,352
Deferred outflows of resources:	
Pension	4,934,730
OPEB	610,049
Total deferred outflows of resources.	5,544,779
Liabilities:	
Accounts payable.	27,805
Accrued wages and benefits payable	1,473,942
Pension and postemployment benefits payable .	210,317
Intergovernmental payable	23,224
Unearned revenue	118,181
Accrued interest payable	5,959
Long-term liabilities:	
Due within one year.	407,370
Due in more than one year:	
Net pension liability	23,804,622
Net OPEB liability	2,995,980
Other amounts due in more than one year .	3,590,797
Total liabilities	32,658,197
Deferred inflows of resources:	
Pension	3,302,303
OPEB	3,323,176
Total deferred inflows of resources	6,625,479
Net position:	
Net investment in capital assets	930,278
Restricted for:	
Locally funded programs	44,408
State funded programs.	570,772
Federally funded programs	66,621
Other purposes	11,321
Unrestricted (deficit)	(28,710,945)
Total net position (deficit).	$ (27,087,545)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 1,689,488	$ 1,402,513	$ 263,307	$ (23,668)
Special	4,150,922	4,062,411	228,134	139,623
Other	300,883	-	-	(300,883)
Support services:				
Pupil	4,180,740	4,334,207	-	153,467
Instructional staff	3,612,798	2,559,005	1,271,400	217,607
Board of education	116,035	-	-	(116,035)
Administration	2,288,529	2,028,787	315,173	55,431
Fiscal	802,810	718,352	109,974	25,516
Business	134,820	-	-	(134,820)
Operations and maintenance	464,877	399,173	79,164	13,460
Pupil transportation	97,847	-	-	(97,847)
Central	1,090,461	1,049,347	12,212	(28,902)
Operation of non-instructional services:				
Other non-instructional services	253,968	162	1,619	(252,187)
Food service operations	11,177	-	11,804	627
Extracurricular activities	56,328	179	1,796	(54,353)
Interest and fiscal charges	80,964	-	-	(80,964)
Total governmental activities	$ 19,332,647	$ 16,554,136	$ 2,294,583	(483,928)

General revenues:	
Grants and entitlements not restricted to specific programs	1,000,877
Investment earnings	10,573
Miscellaneous	210,972
Total general revenues	1,222,422
Change in net position	738,494
Net position (deficit) at beginning of year (restated)	(27,826,039)
Net position (deficit) at end of year	$ (27,087,545)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Miscellaneous State Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and cash equivalents	$ 562,185	$ 16,849	$ 93,798	$ 672,832
Receivables:				
Accounts	14,294	-	-	14,294
Intergovernmental, net	477,221	582,926	128,748	1,188,895
Due from other funds	85,533	-	-	85,533
Total assets	$ 1,139,233	$ 599,775	$ 222,546	$ 1,961,554
Liabilities:				
Accounts payable	$ 19,217	$ 2,519	$ 6,069	$ 27,805
Accrued wages and benefits payable	1,459,986	6,135	7,821	1,473,942
Intergovernmental payable	17,819	4,351	1,054	23,224
Unearned revenue	118,181	-	-	118,181
Pension and postemployment benefits payable	207,758	1,119	1,440	210,317
Due to other funds	-	-	85,533	85,533
Total liabilities	1,822,961	14,124	101,917	1,939,002
Deferred inflows of resources:				
Intergovernmental revenue not available	254,775	570,361	76,221	901,357
Miscellaneous revenue not available	13,313	-	-	13,313
Total deferred inflows of resources	268,088	570,361	76,221	914,670
Fund balances:				
Nonspendable:				
Unclaimed monies	87	-	-	87
Restricted:				
Food service operations	-	-	11,083	11,083
Public school preschool	-	-	407	407
Special education	-	-	11,832	11,832
Targeted academic assistance	-	-	12,549	12,549
Other purposes	-	15,290	51,755	67,045
Scholarships	-	-	238	238
Committed:				
Debt service	-	-	37,895	37,895
Assigned:				
Unassigned (deficit)	(951,903)	-	(81,351)	(1,033,254)
Total fund balances (deficit)	(951,816)	15,290	44,408	(892,118)
Total liabilities, deferred inflows				
and fund balances	$ 1,139,233	$ 599,775	$ 222,546	$ 1,961,554

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances (deficit)		$ (892,118)
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.		3,515,350
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Other receivable	$ 13,313	
Intergovernmental receivable	901,357	
Total		914,670
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	4,934,730	
Deferred inflows of resources - pension	(3,302,303)	
Net pension liability	(23,804,622)	
Total		(22,172,195)
The net OPEB liability/asset is not due and payable in the current period; therefor, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - OPEB	610,049	
Deferred inflows of resources - OPEB	(3,323,176)	
Net OPEB asset	1,259,981	
Net OPEB liability	(2,995,980)	
Total		(4,449,126)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(5,959)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	(2,395,000)	
Capital lease obligations	(26,734)	
Loans Payable	(690,821)	
Compensated absences	(885,612)	
Total		(3,998,167)
Net position (deficit) of governmental activities		$ (27,087,545)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Miscellaneous State Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	$ 11,501,369	$ -	$ -	$ 11,501,369
Earnings on investments	10,573	-	-	10,573
Extracurricular	-	-	2,500	2,500
Contributions and donations	4,415	-	750	5,165
Contract services	4,306,796	38,819	2,299	4,347,914
Other local revenues	946,570	-	47,328	993,898
Intergovernmental - state	956,994	253,733	198,711	1,409,438
Intergovernmental - federal	-	-	1,635,758	1,635,758
Total revenues	17,726,717	292,552	1,887,346	19,906,615
Expenditures:				
Current:				
Instruction:				
Regular	1,364,333	-	257,646	1,621,979
Special	3,991,368	-	224,537	4,215,905
Other	293,182	-	-	293,182
Support services:				
Pupil	4,258,413	-	278	4,258,691
Instructional staff	2,513,776	201,785	948,951	3,664,512
Board of education	114,295	-	2,000	116,295
Administration	1,993,210	14,737	277,523	2,285,470
Fiscal	705,650	10,375	91,181	807,206
Business	134,177	-	721	134,898
Operations and maintenance	392,191	6,887	69,522	468,600
Pupil transportation	97,578	-	-	97,578
Central	1,030,945	-	33,569	1,064,514
Operation of non-instructional services:				
Other non-instructional services	256,714	-	2,784	259,498
Food service operations	-	-	11,177	11,177
Extracurricular activities	55,578	-	1,643	57,221
Facilities acquisition and construction	37,400	-	-	37,400
Capital outlay	28,416	-	-	28,416
Debt service:				
Principal retirement	1,682	50,000	160,000	211,682
Interest and fiscal charges	463	-	77,729	78,192
Total expenditures	17,269,371	283,784	2,159,261	19,712,416
Excess (deficiency) of revenues over (under) expenditures	457,346	8,768	(271,915)	194,199
Other financing sources (uses):				
Transfers in	-	-	264,992	264,992
Transfers (out)	(264,992)	-	-	(264,992)
Capital lease transaction	28,416	-	-	28,416
Total other financing sources (uses)	(236,576)	-	264,992	28,416
Net change in fund balances	220,770	8,768	(6,923)	222,615
Fund balances (deficit) at beginning of year (restated).	(1,172,586)	6,522	51,331	(1,114,733)
Fund balances (deficit) at end of year	$ (951,816)	$ 15,290	$ 44,408	$ (892,118)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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, 2020

Net change in fund balances - total governmental funds		$ 222,615
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 useful lives as depreciation expense.		
Capital asset additions	$ 132,607	
Current year depreciation	(168,035)	
Total		(35,428)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition	52,406	
Contract services	(82,864)	
Other local revenues	10,221	
Intergovernmental	184,763	
Total		164,526
Repayment of note, capital lease, and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Notes	160,000	
Capital leases	1,682	
Loan	50,000	
Total		211,682
In the statement of activities, interest is accrued on outstanding notes, whereas in the governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Increase in accrued interest payable		(2,772)
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		(28,416)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,835,437
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(2,069,008)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		56,067
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		419,610
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.		(35,819)
Change in net position of governmental activities		$ 738,494

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2020

		Custodial
Assets:		
Equity in pooled cash		
and cash equivalents	$	1,480,213
Receivables:		
Accounts		502
Due from other governments		66,820
Total assets		1,547,535
Liabilities:		
Accounts payable		2,337
Accrued wages and benefits		1,556
Compensated absences payable		954
Pension obligation payable		2,322
Long-term liabilities:		
Compensated absences payable		7,402
Total liabilities		14,571
Net position:		
Restricted for individuals, organizations and other governments	$	1,532,964

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Custodial
Additions:	
Amounts received as fiscal agent	$ 11,840,795
Deductions:	
Distributions as fiscal agent	12,648,510
Change in net position	(807,715)
Net position at beginning of year (restated)	2,340,679
Net position at end of year	$ 1,532,964

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The North Central Ohio 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 organized under Section 3311.03 of the Ohio Revised Code. The ESC operates under an elected Board (9 members) and is an administrative entity providing supervision and various other services to the school districts located in Marion, Richland, Sandusky, Seneca, Union and Wyandot Counties. The Board is its own fiscal agent and issues its own financial statements. The ESC serves as fiscal agent for the Seneca County Family and Children First Council (the Council) with the rights and responsibilities established by Section 121.37 of the Ohio Revised Code. Council funds are maintained in a separate custodial fund by the ESC.

The ESC provides regular and special instruction. The ESC also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services and facilities acquisitions. The ESC is staffed by 173 noncertified employees and 167 certified employees.

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, food service, 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

Northern Ohio Educational Computer Association (NOECA)
NOECA is a jointly governed organization among 49 area school districts and ESC's. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts and ESC's. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating ESC and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating districts are located. Each district's authority is limited to its representation on the Board. Financial information can be obtained by contacting Matt Bauer, who serves as Controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

North Central Ohio Regional Council of Governments (NCORcog)
NCORcog is a legally separate body politic and corporate served by an eight-member Board of Directors that meets the definition of regional Council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial founding members and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 West Market Street, Tiffin, Ohio 44883.

PUBLIC ENTITY RISK POOLS

North Central Ohio Trust Regional Council of Governments (NCOT)
NCOT is a legally separate body politic and corporate organized as a regional Council of governments under Chapter 167 of the Ohio Revised Code. NCOT is governed by an Assembly which consists of one representative from each participating school district (usually the superintendent or designee). The Assembly elects officers for one year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the NCOT. All NCOT revenues are generated from charges for services. NCOT was formed for the purpose of providing and administering health insurance benefits for member governments.

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

In the case of NCOT, the ESC serves as fiscal agent and custodian but is not accountable; therefore, the operations of NCOT has been excluded from the ESC's financial statements, but the funds held on behalf of NCOT are included in an agency fund. To obtain financial information, write the Treasurer of the North Central Ohio ESC, 928 West Market Street, Tiffin, Ohio 44883.

Ohio School Boards Association 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 School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

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.

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.

Miscellaneous State Grants Fund - This fund is used to account for various monies received from state agencies which are not classified elsewhere.

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.

PROPRIETARY FUND

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

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

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. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments. The ESC does not have pension trust funds, private-purpose trust funds or investment trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The ESC’s custodial funds account for funds collected and distributed on behalf of organizations and other governments as a fiscal agent and contributions and donations collected and distributed for scholarships. The ESC has no administrative involvement in determining the recipient of the scholarships.

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.

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 or capital 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 major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. 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, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

The fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of net fiduciary position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized 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. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the ESC, available means expected to be received within thirty 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, the following revenue sources are considered to be both measurable and available at fiscal year end: donations, interest, tuition, grants, entitlements and contract services.

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

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

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

This deferred inflow of resources is only reported on the government-wide statement of net position.

Unearned Revenue - Revenues received during fiscal year 2020 resulting from exchange transactions for which the ESC has yet to provide the requisite services as of June 30, 2020 have been recorded as unearned revenue on both the government-wide and fund financial statements.

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

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

E. Budgets

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

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board approve appropriations and estimated resources. The ESC’s Board adopts an annual appropriation resolution, which is the Board’s authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the general fund and the miscellaneous state grants fund has been presented as supplementary information to the basic financial statements.

F. Cash and Investments

To improve cash management, cash received by the ESC is pooled in a central bank account. 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 cash equivalents” on the basic financial statements.

During fiscal year 2020, 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 its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for 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, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2020 amounted to $10,573, which includes $1,076 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.

G. Capital Assets

General capital 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 disposals during the year. Donated capital assets are recorded at their acquisition value as of the date received. The ESC maintains a capitalization threshold of $500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The ESC does not possess infrastructure.

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

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

H. Interfund Balances

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

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

On the fund financials, other receivables related to interfund activity are classified as "due to/due from other funds". These amounts are eliminated in the governmental activities column of the statement of net position.

I. Compensated Absences

Compensated absences of the ESC consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the 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 sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2020, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service, including three with the ESC were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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.

J. 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 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)

K. 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.

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’s Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the 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’s Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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.

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

L. 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 food service operations.

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

M. 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.

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

N. 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.

O. 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. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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

P. 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.

Q. 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 Board and that are either unusual in nature or infrequent in occurrence. Neither type occurred during fiscal year 2020.

R. 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 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the ESC has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the ESC will no longer be reporting agency funds. The ESC reviewed its private purpose trust and agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the ESC's financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the ESC.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB Statement No. 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Miscellaneous State Grants	Other Governmental Funds	Total Governmental Funds
Fund balance as previously reported	$ (1,243,892)	$ 6,522	$ 51,093	$ (1,186,277)
GASB Statement No. 84	71,306	-	238	71,544
Restated fund balance, at June 30, 2019	$ (1,172,586)	$ 6,522	$ 51,331	$ (1,114,733)

The implementation of GASB Statement No. 84 had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	$ (27,897,583)
GASB Statement No. 84	71,544
Restated net position at June 30, 2019	$ (27,826,039)

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of $2,340,679. Also, related to the implementation of GASB Statement No. 84, the ESC will no longer be reporting private purpose trust funds or agency funds. At June 30, 2019, private purpose trust and agency funds reported net position and assets of $1,067 and $2,416,169, respectively.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

Major fund:	Deficit
General	$ 951,816
Nonmajor funds:	
Education Foundation	2,168
Governor's Emergency Education Relief	75,677
Title I	3,506

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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 Assets 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 $100 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all ESC deposits was $1,429,888. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, $1,089,508 of the ESC's bank balance of $1,554,150 was covered by the Ohio Pooled Collateral System (OPCS), while $464,642 was covered by the FDIC.

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 the 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 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 reduced rate set by the Treasurer of State. For fiscal year 2020, the ESC's financial institutions were approved for collateral rate through the OPCS of 102 percent. 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2020, the ESC had the following investments and maturities:

Measurement/ Investment type	Measurement value	Investment Maturity 6 months or less
Amortized Cost:		
STAR Ohio	$ 723,057	$ 723,057

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the ESC's investment policy limits investment portfolio maturities to five years or less.

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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The 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, 2020:

Measurement/ Investment type	Measurement value	% of Total
Amortized Cost:		
STAR Ohio	$ 723,057	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, 2020:

Cash and investments per note	
Carrying amount of deposits	$ 1,429,888
Investments	723,057
Cash on hand	100
Total	$ 2,153,045

Cash and investments per statement of net assets	
Governmental activities	$ 672,832
Custodial funds	1,480,213
Total	$ 2,153,045

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
General fund	$ 264,992

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Due to/from other funds consisted of the following at June 30, 2020, as reported on the fund statement:

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental fund	$ 85,533

The primary purpose of $9,856 due to the General fund from the nonmajor governmental funds was to eliminate negative cash balances. The amount will be repaid once cash is received.

The purpose of the remaining $75,677 due to/from other funds was to cover fiscal year 2020 allowable expenditures in the General fund for Coronavirus Aid, Relief and Economic Security (CARES) Act monies received in fiscal year 2021 in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received.

The balances are eliminated on the government-wide financial statements.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2020 consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds except as noted. The intergovernmental receivables reported on the statement of net position follows.

Governmental activities:	
Accounts	$ 14,294
Intergovernmental:	
State and federal grants	275,804
State foundation adjustments	43,883
BWC refund	60,948
LGIF receivable - justice center	425,000
LGIF receivable - IT	10,552
Contract services receivable	484,291
Less: allowance for uncollectibles	(111,583)
Net intergovernmental receivable	1,188,895
Total governmental activities	$ 1,203,189

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/2019	Additions	Disposals	Balance 6/30/2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 148,850	$ -	$ -	$ 148,850
Total capital assets, not being depreciated	148,850	-	-	148,850
Capital assets, being depreciated:				
Buildings and improvements	3,774,850	37,400	-	3,812,250
Furniture and equipment	1,184,735	95,207	-	1,279,942
Software	54,631	-	-	54,631
Total capital assets, being depreciated	5,014,216	132,607	-	5,146,823
Less: accumulated depreciation:				
Buildings and improvements	(622,618)	(77,651)	-	(700,269)
Furniture and equipment	(935,039)	(90,384)	-	(1,025,423)
Software	(54,631)	-	-	(54,631)
Total accumulated depreciation	(1,612,288)	(168,035)	-	(1,780,323)
Governmental activities capital assets, net	$ 3,550,778	$ (35,428)	$ -	$ 3,515,350

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 77,288
Special	1,375
Other	7,590
Support services:	
Pupil	785
Instructional staff	9,568
Administration	2,238
Fiscal	528
Operations and maintenance	7,318
Pupil transportation	5,452
Central	55,339
Other non-instructional services	554
Total depreciation expense	$ 168,035

NOTE 8 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In the current fiscal year, the ESC entered into capitalized leases for printer equipment. These lease agreements meet the criteria of capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

At June 30, 2020, capital assets consisting of printer equipment has been capitalized in the amount of $28,416 on the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2020 was $1,682 leaving a current book value of $26,734. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2020 totaled $1,682 paid by the General fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	Amount
2021	$ 6,435
2022	6,435
2023	6,435
2024	6,435
2025	4,290
Total minimum lease payments	30,030
Less: amount representing interest	(3,296)
Total	$ 26,734

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 2020, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding 06/30/19	Additions	Reductions	Balance Outstanding 06/30/20	Amounts Due in One Year
Governmental activities:					
Promissory note - 3.14%	$ 2,555,000	$ -	$ (160,000)	$ 2,395,000	$ 165,000
LGIF loan - justice center	475,000	-	(50,000)	425,000	50,000
LGIF IT loan - IT	265,821	-	-	265,821	66,455
Capital lease obligation	-	28,416	(1,682)	26,734	5,217
Compensated absences payable	874,378	102,292	(91,058)	885,612	120,698
Net pension liability	24,284,792	541,482	(1,021,652)	23,804,622	-
Net OPEB liability	3,926,483	-	(930,503)	2,995,980	-
Total long-term obligations, governmental activities	$ 32,381,474	$ 672,190	$ (2,254,895)	$ 30,798,769	$ 407,370

Compensated absences, the net pension liability and the net OPEB liability/asset will ultimately be paid from the fund from which the employee is paid, which is primarily the General fund.

See Note 12 for detail on the net pension liability. See Note 13 for detail on the net OPEB liability/asset. See Note 8 for capital lease obligations.

On June 8, 2011, the ESC entered into a promissory note to provide financing for the acquisition of an administrative and educational services building. During 2017, the ESC received an adjustment to their future interest rates to decrease the rate from 3.55% to 3.14%. The note bears an interest rate of 3.14% and matures on December 1, 2031.

During fiscal year 2017, the ESC received a loan from the Local Government Initiative Fund (LGIF) from the State of Ohio related to the construction of the Joint Justice Center between Seneca County and the City of Tiffin. The ESC is responsible for paying back the loan and has entered into a Memorandum of Understanding (MOU) with Seneca County to repay 100% of the loan. The loan is a 0% interest loan in the amount of $500,000, $450,000, and $50,000 in loan proceeds were received by the ESC during fiscal year 2017 and 2018, respectively. Seneca County will pay the entire principal balance in equal quarterly installments to the ESC, which will then pass through the payments to the State of Ohio.

The ESC received an additional loan for Information Technology (IT) equipment from the LGIF. The loan is a 0% interest loan in the amount of $265,821. Tiffin City School District will pay its portion of the loan in the amount of $13,190 to the ESC over a period of 10 years. Payment on the loan is anticipated to begin during fiscal year 2021. Equipment in the amount of $163,338 has been capitalized by the ESC at June 30, 2020. Accumulated depreciation as of June 30, 2020 was $98,939 leaving a current book value of $64,399.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the ESC's future debt service requirements to maturity for the promissory note and LGIF loans:

Fiscal	Promissory Note			LGIF Loan - Justice Center	LGIF Loan - IT
Year Ended	Principal	Interest	Total	Principal	Principal
2021	$ 165,000	$ 72,612	$ 237,612	$ 50,000	$ 66,455
2022	170,000	67,353	237,353	50,000	26,582
2023	175,000	61,937	236,937	50,000	26,582
2024	180,000	56,363	236,363	50,000	26,582
2025	190,000	50,554	240,554	50,000	26,582
2026 - 2030	1,045,000	158,177	1,203,177	175,000	93,038
2031 - 2032	470,000	14,915	484,915	-	-
Total	$ 2,395,000	$ 481,911	$ 2,876,911	$ 425,000	$ 265,821

NOTE 10 - COMPENSATED ABSENCES

Sick Leave:
Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of one and one-fourth days for each calendar month under contract. Sick leave is cumulative to 200 days.

Severance Pay:
At the time of retirement from the ESC, a severance amount calculated by a prescribed formula applied to the employee's unused sick leave and daily rate of pay at the time of retirement from the ESC is granted to employees in compliance with Ohio law. Upon payment of severance pay, the retiring employee's sick leave accumulation is reduced to zero.

Retirement
Severance pay is based on a one-time, lump sum payment to eligible employees. An employee's eligibility for severance pay is determined as of the final date of employment. The criteria are as follows:

1. The individual retires from the ESC.

2. Retirement is defined as disability retirement or service retirement under any State or municipal retirement system in this State.

3. The individual must be eligible for disability or service retirement as of the last date of employment with the ESC.

4. The individual must prove acceptance into the retirement system within 120 days of his/her last day of employment by having received and cashed his/her first retirement check.

5. The individual must have not less than 10 years of service with this ESC, the state or its political subdivisions, or any combination thereof. The last 3 years of employment must be with the ESC.

6. The individual must sign for his/her severance check certifying that all eligibility criteria are met.

NOTE 10 - COMPENSATED ABSENCES - (Continued)

7. In order to receive severance pay, classified and certified staff shall have provided written notification of his/her intention to retire 90 days prior to the anticipated retirement date. Administrative staff is required to provide written notification by April 1st of the retirement year.

The amount of the benefit due an employee shall be calculated as follows:

1. The employee's accrued, but unused sick leave will be multiplied by one-fourth.

2. The product will be multiplied by the per diem rate of pay at the time of retirement.

The amount of the benefit calculated in steps one and two shall not exceed the value of 50 days of accrued, but unused sick leave.

Receipt of payment for accrued but unused sick leave eliminates all sick leave credit accrued by the employee.

The Board pays severance pay to the estate or life insurance beneficiary of an employee who qualifies for retirement and who dies while actively employed.

Upon retirement, employees are entitled to compensation at their current rate of pay for all unused vacation leave to their credit up to a maximum of their earned, but unused vacation leave for the current year.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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. The ESC has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the ESC to the commercial company. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

B. Employee Health Insurance

The ESC is a member of the North Central Ohio Joint Self-Insurance Association (the Association). This organization is a public entity risk pool (See Note 2.A.). The Association was established pursuant to Ohio Revised Code Section 9.833 in order to provide health care benefits.

Each member school and educational service center pays premiums to the Association for employee medical, dental, vision, and life insurance premiums. The Association is responsible for the management and operations of the program. Upon withdrawal, the member is responsible for the payment of all Association liabilities to its employees, dependents and designated beneficiaries accruing as a result of the withdrawal. Upon termination of the Association, all ESC's claims would be paid without regard to the ESC's account balance. The Association Board of Directors has the right to return monies to an existing member subsequent to the settlement of all expenses and claims.

NOTE 11 - RISK MANAGEMENT (continued)

C. Workers' Compensation

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A.). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts ESCs pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school district and ESCs is calculated as one experience and a common premium rate is applied to all school district and ESCs in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and ESCs that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The ESC 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	Age 65 with 5 years of services credit: or 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.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the ESC is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The ESC's contractually required contribution to SERS was $542,137 for fiscal year 2020. Of this amount, $29,336 is reported as pension and postemployment benefits payable.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 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 Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. 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 or later.

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The ESC was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The ESC's contractually required contribution to STRS was $1,293,300 for fiscal year 2020. Of this amount, $127,236 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, 2019, 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 projected 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	0.13973330%	0.07405034%	
Proportion of the net pension liability current measurement date	0.11667940%	0.07607482%	
Change in proportionate share	-0.02305390%	0.00202448%	
Proportionate share of the net pension liability	$ 6,981,133	$ 16,823,489	$ 23,804,622
Pension expense	$ 719,001	$ 1,350,007	$ 2,069,008

At June 30, 2020, 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	$ 177,027	$ 136,974	$ 314,001
Changes of assumptions	-	1,976,243	1,976,243
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	103,160	705,889	809,049
Contributions subsequent to the measurement date	542,137	1,293,300	1,835,437
Total deferred outflows of resources	$ 822,324	$ 4,112,406	$ 4,934,730

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 72,825	$ 72,825
Net difference between projected and actual earnings on pension plan investments	89,611	822,243	911,854
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	755,347	1,562,277	2,317,624
Total deferred inflows of resources	$ 844,958	$ 2,457,345	$ 3,302,303

$1,835,437 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 year ending June 30, 2021.

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:			
2021	$ (206,619)	$ 563,080	$ 356,461
2022	(403,009)	(418,014)	(821,023)
2023	(5,962)	47,417	41,455
2024	50,819	169,278	220,097
Total	$ (564,771)	$ 361,761	$ (203,010)

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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 assets class are summarized in the following table:

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 9,783,063	$ 6,981,133	$ 4,631,364

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 24,585,655	$ 16,823,489	$ 10,252,418

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The net OPEB liability/asset represents the ESC's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/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 OPEB are financed; however, the ESC does receive the benefit of employees' services in exchange for compensation including OPEB.

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

The proportionate share of each plan's unfunded/funded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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)

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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, 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 2020, this amount was $19,600. 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 2020, the ESC's surcharge obligation was $56,067.

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 $56,067 for fiscal year 2020. Of this amount, $56,067 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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, 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, 2019, 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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.14153210%	0.07405034%	
Proportion of the net OPEB liability/asset current measurement date	0.11913440%	0.07607482%	
Change in proportionate share	-0.02239770%	0.00202448%	
Proportionate share of the net OPEB liability	$ 2,995,980	$ -	$ 2,995,980
Proportionate share of the net OPEB asset	$ -	$ (1,259,981)	$ (1,259,981)
OPEB expense	$ 50,128	$ (469,738)	$ (419,610)

At June 30, 2020, 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	$ 43,979	$ 114,226	$ 158,205
Net difference between projected and actual earnings on OPEB plan investments	7,193	-	7,193
Changes of assumptions	218,822	26,485	245,307
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	51,388	91,889	143,277
Contributions subsequent to the measurement date	56,067	-	56,067
Total deferred outflows of resources	$ 377,449	$ 232,600	$ 610,049

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 658,196	$ 64,102	$ 722,298
Net difference between projected and actual earnings on OPEB plan investments	-	79,134	79,134
Changes of assumptions	167,885	1,381,424	1,549,309
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	570,964	401,471	972,435
Total deferred inflows of resources	$ 1,397,045	$ 1,926,131	$ 3,323,176

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

$56,067 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 year ending June 30, 2021. 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:			
2021	$ (231,902)	$ (384,749)	$ (616,651)
2022	(190,625)	(384,747)	(575,372)
2023	(188,515)	(353,032)	(541,547)
2024	(188,857)	(341,908)	(530,765)
2025	(187,271)	(234,662)	(421,933)
Thereafter	(88,493)	5,567	(82,926)
Total	$ (1,075,663)	$ (1,693,531)	$ (2,769,194)

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.

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 3,636,551	$ 2,995,980	$ 2,486,650

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 2,400,387	$ 2,995,980	$ 3,786,187

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% 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 Table 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, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased 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.

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' 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 asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

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, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) 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	$ 1,075,143	$ 1,259,981	$ 1,415,387

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 1,428,761	$ 1,259,981	$ 1,053,267

NOTE 14 - STATE FUNDING

State Per-Pupil Funding - This funding materializes in the form of a per-pupil amount applied to the same student count extracted from the latest Report Card. For the purposes of this funding, the law distinguishes the 'High Performing' ESCs pursuant to Rule 3301-105-01 of the Administrative Code from the other ESCs and applies two per-pupil amounts to their state funding based on that distinction. High Performing ESCs are granted a per-pupil amount of $26.00 while other ESCs' state funding is based on the per-pupil amount of $24.00. The law provides for $40,000,000 in fiscal year 2020 to be set aside from the Foundation Funding (line item 200-550) for this purpose. As the appropriation for this funding is set and the funding is based on a constant per-pupil amount, it is often necessary and authorized by law for the fund distribution to be prorated in order to stay within the appropriations. Obviously as the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels.

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

NOTE 15 - 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

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the ESCs. These reviews are conducted to ensure the ESCs are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As of the date of this report, ODE adjustments for fiscal year 2020 have been finalized and resulted in a total receivable of $42,514 for the ESC. A receivable of $43,883 has been included on the financial statements. The liability of $1,369 has not been included on the financial statements.

NOTE 16 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the ESC. The ESC's investment portfolio and the investments of the pension and other employee benefit plan in which the ESC participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the ESC's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 17 - 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 fund	$ 174,133
Miscellaneous State Grants fund	948,343
Other governmental	213,434
Total	$ 1,335,910

NOTE 18 - MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

For the fiscal year ended June 30, 2020, the ESC has accumulated a GAAP basis deficit in the General fund of $951,816 and has a cash operating balance in the General fund at June 30, 2020 of $66,218. The ESC's fiscal year 2021 budget is projecting a cash operating balance in the General fund at June 30, 2021 of $11,262. The ESC is continuing to monitor the budget closely and is working on growing the General fund cash operating balance over future years.

The Board of Directors of the ESC is acutely aware of the financial position of the ESC and is committed to remedying the deficiencies in the General Operating fund. The Board has given direction to the new Treasurer to develop a process to better monitor the client's activity with the ESC with the goal to improve the financial position of the ESC. The Treasurer will also evaluate where cost savings can be applied to assist with putting in place the action steps focused on the ESC developing and sustaining fiscal stability moving forward.

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NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017
ESC's proportion of the net pension liability	0.11667940%	0.13973330%	0.13779880%	0.13048660%
ESC's proportionate share of the net pension liability	$ 6,981,133	$ 8,002,785	$ 8,233,174	$ 9,550,415
ESC's covered payroll	$ 3,959,948	$ 4,235,570	$ 4,538,457	$ 4,040,064
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	176.29%	188.94%	181.41%	236.39%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

	2016		2015		2014
	0.12759130%		0.15014700%		0.15014700%
$	7,280,483	$	7,598,854	$	8,928,760
$	3,841,161	$	4,362,973	$	4,326,329
	189.54%		174.17%		206.38%
	69.16%		71.70%		65.52%

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
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REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020	**2019**	**2018**	**2017**
ESC's proportion of the net pension liability	0.07607482%	0.07405034%	0.07134877%	0.08448585%
ESC's proportionate share of the net pension liability	$ 16,823,489	$ 16,282,007	$ 16,949,053	$ 28,279,961
ESC's covered payroll	$ 8,977,457	$ 8,448,136	$ 7,540,771	$ 8,877,171
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	187.40%	192.73%	224.77%	318.57%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

	2016	2015	2014
	0.08197285%	0.09202149%	0.09202149%
	$ 22,654,898	$ 22,382,811	$ 26,662,258
	$ 8,508,264	$ 9,402,054	$ 9,405,869
	266.27%	238.06%	283.46%
	72.10%	74.70%	69.30%

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
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REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
Contractually required contribution	$ 542,137	$ 534,593	$ 571,802	$ 635,384
Contributions in relation to the contractually required contribution	(542,137)	(534,593)	(571,802)	(635,384)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,872,407	$ 3,959,948	$ 4,235,570	$ 4,538,457
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ 565,609	$ 506,265	$ 604,708	$ 598,764	$ 533,396	$ 476,387
(565,609)	(506,265)	(604,708)	(598,764)	(533,396)	(476,387)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,040,064	$ 3,841,161	$ 4,362,973	$ 4,326,329	$ 3,965,770	$ 3,789,873
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
Contractually required contribution	$ 1,293,300	$ 1,256,844	$ 1,182,739	$ 1,055,708
Contributions in relation to the contractually required contribution	(1,293,300)	(1,256,844)	(1,182,739)	(1,055,708)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 9,237,857	$ 8,977,457	$ 8,448,136	$ 7,540,771
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ 1,242,804	$ 1,191,157	$ 1,222,267	$ 1,222,763	$ 1,097,398	$ 1,030,252
(1,242,804)	(1,191,157)	(1,222,267)	(1,222,763)	(1,097,398)	(1,030,252)
$ -	$ -	$ -	$ -	$ -	$ -
$ 8,877,171	$ 8,508,264	$ 9,402,054	$ 9,405,869	$ 8,441,523	$ 7,925,015
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
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REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2020	2019	2018	2017
ESC's proportion of the net OPEB liability	0.11913440%	0.14153210%	0.13955490%	0.13165844%
ESC's proportionate share of the net OPEB liability	$ 2,995,980	$ 3,926,483	$ 3,745,287	$ 3,752,753
ESC's covered payroll	$ 3,959,948	$ 4,235,570	$ 4,538,457	$ 4,040,064
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.66%	92.70%	82.52%	92.89%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
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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 FOUR FISCAL YEARS

	2020	**2019**	**2018**	**2017**
ESC's proportion of the net OPEB liability/asset	0.07607482%	0.07405034%	0.07134877%	0.08448585%
ESC's proportionate share of the net OPEB liability/(asset)	$ (1,259,981)	$ (1,189,913)	$ 2,783,766	$ 4,518,325
ESC's covered payroll	$ 8,977,457	$ 8,448,136	$ 7,540,771	$ 8,877,171
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	(14.03%)	(14.08%)	36.92%	50.90%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

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

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
Contractually required contribution	$ 56,067	$ 90,458	$ 96,629	$ 74,770
Contributions in relation to the contractually required contribution	(56,067)	(90,458)	(96,629)	(74,770)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,872,407	$ 3,959,948	$ 4,235,570	$ 4,538,457
Contributions as a percentage of covered payroll	1.45%	2.28%	2.28%	1.65%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ 64,151	$ 104,079	$ 70,923	$ 77,004	$ 95,458	$ 124,496
(64,151)	(104,079)	(70,923)	(77,004)	(95,458)	(124,496)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,040,064	$ 3,841,161	$ 4,362,973	$ 4,326,329	$ 3,965,770	$ 3,789,873
1.59%	2.71%	1.63%	1.78%	2.41%	3.28%

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 9,237,857	$ 8,977,457	$ 8,448,136	$ 7,540,771
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ -	$ -	$ 94,059	$ 84,415	$ 79,250	$ 78,489
-	-	(94,059)	(84,415)	(79,250)	(78,489)
$ -	$ -	$ -	$ -	$ -	$ -
$ 8,877,171	$ 8,508,264	$ 9,402,054	$ 9,405,869	$ 8,441,523	$ 7,925,015
0.00%	0.00%	1.00%	1.00%	1.00%	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 years 2014-2017. 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%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (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 years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. 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 years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. 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 2020.

(Continued)

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 previously reported for fiscal years 2017-2020.

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) 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%.

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 increase 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.

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 assumption 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.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

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, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Tuition	$ 11,575,130	$ 11,619,959	$ 11,521,719	$ (98,240)
Earnings on investments	19,000	19,000	10,573	(8,427)
Classroom materials and fees	25	25	-	(25)
Contributions and donations	11,250	11,250	9,390	(1,860)
Contract services	4,738,910	5,064,940	4,157,417	(907,523)
Other local revenues	1,099,344	933,869	840,664	(93,205)
Intergovernmental - state	946,660	946,660	957,800	11,140
Total revenues	18,390,319	18,595,703	17,497,563	(1,098,140)
Expenditures:				
Current:				
Instruction:				
Regular	1,588,054	1,491,541	1,451,284	40,257
Special	4,135,136	4,176,802	4,037,564	139,238
Other	283,672	359,562	304,615	54,947
Support services:				
Pupil	4,371,279	4,417,212	4,330,360	86,852
Instructional staff	2,872,345	2,857,662	2,628,908	228,754
Board of education	125,552	135,222	116,479	18,743
Administration	2,075,174	2,105,996	2,018,981	87,015
Fiscal	738,734	761,279	704,485	56,794
Business	129,407	141,243	139,559	1,684
Operations and maintenance	520,961	492,946	445,044	47,902
Pupil transportation	95,763	105,983	102,112	3,871
Central	1,038,191	1,238,611	1,156,604	82,007
Operation of non-instructional services:				
Other non-instructional services	268,648	257,338	254,340	2,998
Extracurricular activities	28,848	59,981	55,578	4,403
Facilities acquisition and construction	1,056	37,447	37,400	47
Total expenditures	18,272,820	18,638,825	17,783,313	855,512
Excess (deficiency) of revenues over (under) expenditures	117,499	(43,122)	(285,750)	(242,628)
Other financing sources (uses):				
Refund of prior year expenditures	40,000	40,000	127,714	87,714
Transfers in	161,479	161,479	161,479	-
Transfers (out)	(298,309)	(451,055)	(451,055)	-
Sale of capital assets	100	100	163	63
Total other financing sources (uses)	(96,730)	(249,476)	(161,699)	87,777
Net change in fund balance	20,769	(292,598)	(447,449)	(154,851)
Unencumbered fund balance at beginning of year	545,541	545,541	545,541	-
Prior year encumbrances appropriated	188,012	188,012	188,012	-
Unencumbered fund balance at end of year	$ 754,322	$ 440,955	$ 286,104	$ (154,851)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MISCELLANEOUS STATE GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Contract services	$ -	$ 50,000	$ 51,319	$ 1,319
Intergovernmental - state	275,993	1,224,364	255,938	(968,426)
Total revenues	275,993	1,274,364	307,257	(967,107)
Expenditures:				
Current:				
Instruction:				
Regular	-	897,971	897,971	-
Support services:				
Instructional staff	247,354	295,101	267,774	27,327
Administration	13,778	15,054	14,904	150
Fiscal	8,994	10,375	10,375	-
Operations and maintenance	6,891	6,887	6,887	-
Debt service:				
Principal	-	50,000	50,000	-
Total expenditures	277,017	1,275,388	1,247,911	27,477
Net change in fund balance	(1,024)	(1,024)	(940,654)	(939,630)
Unencumbered fund balance (deficit) at beginning of year	(21,072)	(21,072)	(21,072)	-
Prior year encumbrances appropriated	23,415	23,415	23,415	-
Unencumbered fund balance (deficit) at end of year.	$ 1,319	$ 1,319	$ (938,311)	$ (939,630)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board approve appropriations and estimated resources. The ESC's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the General fund and the miscellaneous state grants fund has been presented as supplementary information to the basic financial statements.

While reporting financial position and changes in financial position/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 plus encumbrances.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General fund and the Miscellaneous State Grants fund are as follows:

Net Change in Fund Balance

	General Fund	Miscellaneous State Grants Fund
Budget basis	$ (447,449)	$ (940,654)
Net adjustment for revenue accruals	208,031	(14,705)
Net adjustment for expenditure accruals	320,806	8,967
Net adjustment for other sources/uses	(74,877)	-
Funds budgeted elsewhere	20,909	-
Adjustment for encumbrances	193,350	955,160
GAAP basis	$ 220,770	$ 8,768

Certain funds that are budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the Public School Support fund, the Termination Benefits fund, the Unclaimed Money fund, the Workers Compensation Agency fund, the Family Learning Center fund, the Board of Education Special Occasion fund, the Elgin Preschool – Bright Beginnings fund and the Employee Benefits Agency fund.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Total Federal Expenditures**
UNITED STATES DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster:		
National School Lunch Program	10.555	$ 12,976
Total Child Nutrition Cluster		12,976
Total United State Department of Agriculture		12,976
UNITED STATES DEPARTMENT OF EDUCATION		
Passed Through Mahoning Educational Service Center		
Special Education Cluster (IDEA):		
Special Education_Grants to States	84.027	1,809
Passed Through Ohio Department of Education		
Special Education_Grants to States	84.027	1,162,882
Special Education_Preschool Grants	84.173	152,926
Total Special Education Cluster (IDEA)		1,317,617
Title I Grants to Local Educational Agencies	84.010	270,280
English Language Acquisition Grants	84.365	21,324
Special Education - State Personnel Development	84.323	630
COVID-19 Education Sabilization Fund	84.425	75,677
Passed Through Ohio Department of Developmental Disabilities		
Special Education-Grants for Infants and Families	84.181	84,570
Total United States Department of Education		1,770,098
Total Expenditures of Federal Awards		**$ 1,783,074**

The accompanying notes are an integral part of this schedule.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Central Ohio Educational Service Center, Seneca County, Ohio (the ESC) under programs of the federal government for the year ended June 30, 2020. 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 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 – CHILD NUTRITION CLUSTER

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

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require the ESC to obligate certain federal awards by June 30. However, with Ohio Department of Education's consent, the ESC can transfer unobligated amounts to the subsequent fiscal year's program.

The ESC transferred the following amounts from 2020 to 2021 programs:

Program Title	CFDA Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	$91,599
English Language Acquisition Grants	84.365	$19,024

The ESC transferred the following amounts from 2019 to 2020 programs:

Title I Grants to Local Educational Agencies	84.010	$9,143
English Language Acquisition Grants	84.365	$8,013

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OHIO AUDITOR OF STATE
KEITH FABER

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

North Central Ohio Educational Service Center
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Governors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Ohio Educational Service Center, Seneca County, Ohio (the ESC) as of and for the year ended June 30, 2020, 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 12, 2021, wherein we noted the ESC adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities.* We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the ESC. In addition, we noted the ESC has suffered recurring losses from operations and has a net deficiency in the General fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2021

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 Central Ohio Educational Service Center
Seneca County
928 West Market Street
Tiffin, Ohio 44883-2529

To the Board of Governors:

Report on Compliance for the Major Federal Program

We have audited North Central Ohio Educational Service Center, Seneca County, Ohio's (the ESC) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect North Central Ohio Educational Service Center's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the ESC's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, North Central Ohio Educational Service Center, Seneca County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 12, 2021

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SENECA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER

SENECA 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 4/1/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370