



OHIO AUDITOR OF STATE
KEITH FABER



**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY
JUNE 30, 2020**

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LUCAS COUNTY
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Educational Service Center of Lake Erie West
Lucas County
2275 Collingwood Boulevard
Toledo, Ohio 43620-1148

To the Governing Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, 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 3B to the financial statements, during 2020, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. We did not modify our opinion regarding this matter.

As also discussed in Notes 3B and 7 to the financial statements, during 2020, the Center restated beginning balance of net position in the Governmental Activities. This restatement was the result of the Center having an appraisal done over capital assets. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The 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 schedule is management's responsibility, and derives from and relates 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 January 26, 2021, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2021

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**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The discussion and analysis of the Educational Service Center of Lake Erie West's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to consider the Center'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 Center's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position of governmental activities decreased \$313,434 which represents a 2.39 percent decrease from net position at June 30, 2019, as restated (see Note 3.B for detail on the restatement).
- General revenues accounted for \$1,582,408 in revenue or 7.41 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$19,782,058 or 92.59 percent of total revenues of \$21,364,466.
- The Center had \$21,677,900 in expenses related to governmental activities; \$19,782,058 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$1,582,408 also supported the Center's programs.
- The Center's major governmental funds are the general fund and the auxiliary services fund. The general fund had \$13,192,294 in revenues and other financing sources and \$13,983,133 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance decreased \$790,839 from a balance of \$10,124,682 (restated) to \$9,333,843 as a result of decreased customer service revenues in relation to billing member districts.
- The auxiliary services fund had \$4,420,140 in revenues and \$4,144,592 in expenditures during fiscal year 2020.

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 Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole contains all financial transactions and asks the question, "How did the Center perform 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 considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to 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.

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 net pension liability and net OPEB liability/asset in this report after the notes to the basic financial statements.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The Center as a Whole

Recall that the statement of net position provides the perspective of the Center as a whole. Net position was restated at June 30, 2019, see note 3.B to the notes to the financial statements for detail. The table below provides a summary of the Center's net position for 2020 and 2019.

| | Net Position | |
|--|---|---|
| | Governmental Activities <u>2020</u> | (Restated) Governmental Activities <u>2019</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 11,905,624 | \$ 12,338,202 |
| Net OPEB asset | 1,595,107 | 1,533,893 |
| Capital assets | <u>4,002,492</u> | <u>4,263,775</u> |
| Total assets | <u>17,503,223</u> | <u>18,135,870</u> |
| <u>Deferred outflows of resources</u> | | |
| Pension | 5,436,547 | 7,419,311 |
| OPEB | <u>604,604</u> | <u>500,948</u> |
| Total deferred outflows: | <u>6,041,151</u> | <u>7,920,259</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 1,512,838 | 1,651,379 |
| Long-term liabilities: | | |
| Due within one year | 283,584 | 258,793 |
| Due in more than one year: | | |
| Net pension liability | 26,391,501 | 26,656,723 |
| Net OPEB liability | 2,186,248 | 2,768,344 |
| Other amounts | <u>892,309</u> | <u>1,061,783</u> |
| Total liabilities | <u>31,266,480</u> | <u>32,397,022</u> |
| <u>Deferred inflows of resources</u> | | |
| Pension | 2,662,863 | 3,918,547 |
| OPEB | <u>3,022,642</u> | <u>2,834,737</u> |
| Total deferred inflows: | <u>5,685,505</u> | <u>6,753,284</u> |
| <u>Net position</u> | | |
| Investment in capital assets | 4,002,492 | 4,263,775 |
| Restricted | 27,072 | 26,481 |
| Unrestricted (deficit) | <u>(17,437,175)</u> | <u>(17,384,433)</u> |
| Total net position (deficit) | <u>\$ (13,407,611)</u> | <u>\$ (13,094,177)</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

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

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

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

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

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

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

In accordance with GASB 68 and GASB 75, the Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/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 Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,407,611. Of this total, a deficit of \$17,437,175 is unrestricted in use, which is a result of reporting the net pension liability required by GASB Statement No. 68.

At year-end, capital assets represented 22.87 percent of total assets. Capital assets include land, buildings and improvements, improvements other than buildings, and furniture, fixtures and equipment and vehicles. The Center's investment in capital assets at June 30, 2020, was \$4,002,492. These capital assets are used to provide services to the students and are not available for future spending.

Total assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 12 for more detail.

A portion of the Center's net position, \$27,072 represents resources that are subject to external restriction on how they may be used.

Governmental Activities

The net position of the Center's governmental activities decreased \$313,434. Total governmental expenses of \$21,677,900 were offset by program revenues of \$19,782,058 and general revenues of \$1,582,408. Program revenues supported all governmental expenses for fiscal year 2020.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 77.12 percent of total governmental revenue.

The largest expense of the Center is for support services. Support services expenses totaled \$12,691,944 or 58.55 percent of total governmental expenses for fiscal 2020.

The table below shows the changes in net position for fiscal years 2020 and 2019.

| | Changes in Net Position | |
|------------------------------------|--------------------------------|--|
| | Governmental Activities | (Restated) Governmental Activities |
| <u>Revenues</u> | <u>2020</u> | <u>2019</u> |
| Program Revenues: | | |
| Charges for services and sales | \$ 16,475,220 | \$ 17,144,437 |
| Operating grants and contributions | 3,306,838 | 3,485,412 |
| General revenues: | | |
| Grants and entitlements | 1,314,121 | 1,298,158 |
| Investment earnings | 119,131 | 199,077 |
| Other | 149,156 | 207,927 |
| Total revenues | <u>21,364,466</u> | <u>22,335,011</u> |

(Continued)

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

| | Change in Net Position - (Continued) | |
|--|---|--|
| | Governmental Activities 2020 | (Restated) Governmental Activities 2019 |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 129,339 | \$ 172,154 |
| Special | 4,677,451 | 4,023,117 |
| Adult/continuing | 58,463 | 42,088 |
| Support services: | | |
| Pupil | 3,352,753 | 2,640,436 |
| Instructional staff | 4,183,852 | 3,717,084 |
| Board of education | 19,545 | 20,943 |
| Administration | 2,562,287 | 2,111,134 |
| Fiscal | 1,011,271 | 1,726,188 |
| Business | 75,928 | 86,642 |
| Operations and maintenance | 864,884 | 980,283 |
| Central | 621,424 | 475,323 |
| Operation of non-instructional services: | | |
| Food service operations | 11,500 | 16,233 |
| Other non-instructional services | 4,109,203 | 3,603,459 |
| Total expenses | <u>21,677,900</u> | <u>19,615,084</u> |
| Change in net position | (313,434) | 2,719,927 |
| Net position (deficit) at beginning of year (restated) | <u>(13,094,177)</u> | <u>(15,814,104)</u> |
| Net position (deficit) at end of year | <u><u>\$ (13,407,611)</u></u> | <u><u>\$ (13,094,177)</u></u> |

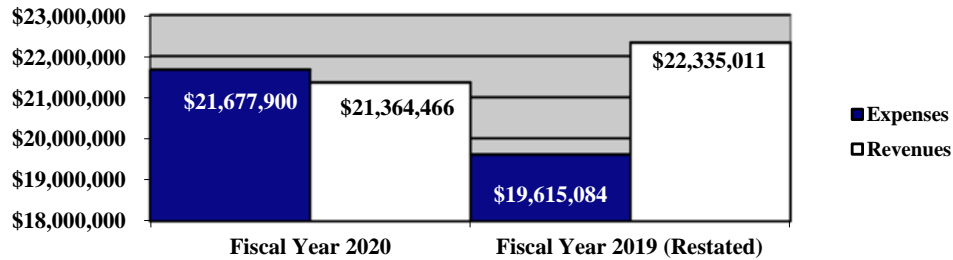
Overall, governmental activities net position at June 30, 2020 decreased \$313,434 or 2.39 percent from fiscal year 2019, compared to a \$2,719,927 increase in the prior year. The reason for the significant increase in net position at June 30, 2019 was primarily a result of fluctuations in benefit changes by the retirement systems (SERS and STRS), and the related net pension liability, net OPEB asset, and deferred inflows and outflows of resources.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2020 and 2019.

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, investment earnings and miscellaneous revenue.

| | Total Cost of Services 2020 | Net Cost of Services 2020 | Total Cost of Services 2019 | (Restated) Net Cost of Services 2019 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 129,339 | \$ 6,852 | \$ 172,154 | \$ 3,719 |
| Special | 4,677,451 | 649,839 | 4,023,117 | (144,112) |
| Adult/continuing | 58,463 | 12,008 | 42,088 | (18,426) |
| Support services: | | - | | |
| Pupil | 3,352,753 | 275,278 | 2,640,436 | (364,608) |
| Instructional staff | 4,183,852 | 334,169 | 3,717,084 | (142,898) |
| Board of education | 19,545 | 3,069 | 20,943 | 1,645 |
| Administration | 2,562,287 | 378,284 | 2,111,134 | 37,653 |
| Fiscal | 1,011,271 | 156,722 | 1,726,188 | 150,547 |
| Business | 75,928 | 12,835 | 86,642 | 12,782 |
| Operations and maintenance | 864,884 | 112,204 | 980,283 | 133,784 |
| Central | 621,424 | 105,502 | 475,323 | 14,061 |
| Operation of non-instructional services: | | | | |
| Food service operations | 11,500 | 1,168 | 16,233 | 1,979 |
| Other non-instructional services | 4,109,203 | (152,088) | 3,603,459 | (700,891) |
| Total expenses | <u>\$ 21,677,900</u> | <u>\$ 1,895,842</u> | <u>\$ 19,615,084</u> | <u>\$ (1,014,765)</u> |

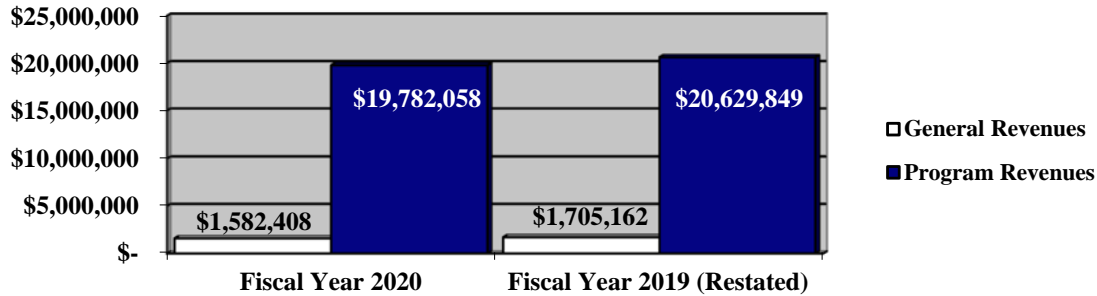
Governmental activities were primarily supported by program revenues for fiscal years 2020 and 2019. The primary support of the Center is tuition and contracted fees for services provided to school districts. These revenues decreased overall during 2020 as a result of a billing member districts for regular services and parochial schools fewer services provided to students.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The graph below presents the Center's governmental activities revenue for fiscal years 2020 and 2019.

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of \$9,889,378, which is lower than last year's restated total of \$10,459,459. See Note 3.B in the notes to the financial statements for detail on the restatement of governmental fund balances at June 30, 2019. The schedule below indicates the fund balances and the changes in fund balances as of June 30, 2020 and 2019.

| Funds | Fund Balance June 30, 2020 | (Restated) Fund Balance June 30, 2019 | Increase (Decrease) | Percentage Change |
|-----------------------|-------------------------------|---|------------------------|----------------------|
| General | \$ 9,333,843 | \$ 10,124,682 | \$ (790,839) | (7.81) % |
| Auxiliary services | 315,489 | 39,941 | 275,548 | 689.89 % |
| Nonmajor governmental | 240,046 | 294,836 | (54,790) | (18.58) % |
| Total | <u>\$ 9,889,378</u> | <u>\$ 10,459,459</u> | <u>\$ (570,081)</u> | (5.45) % |

General Fund

The Center's general fund balance decreased \$790,839. The table that follows shows the revenues of the general fund for fiscal years 2020 and 2019 (restated).

| Revenues | 2020 Amount | (Restated) 2019 Amount | Increase (Decrease) | Percentage Change |
|-------------------------|----------------------|------------------------------|------------------------|----------------------|
| Tuition | \$ 5,053,532 | \$ 5,678,055 | \$ (624,523) | (11.00) % |
| Earnings on investments | 119,131 | 199,077 | (79,946) | (40.16) % |
| Customer services | 6,430,700 | 6,500,601 | (69,901) | (1.08) % |
| Intergovernmental | 1,310,192 | 1,298,158 | 12,034 | 0.93 % |
| Other revenues | 277,487 | 397,039 | (119,552) | (30.11) % |
| Total | <u>\$ 13,191,042</u> | <u>\$ 14,072,930</u> | <u>\$ (881,888)</u> | (6.27) % |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Overall, revenues of the general fund decreased 6.27 percent during fiscal year 2020. Tuition revenue decreased from fiscal year 2019 as a result of less contract revenue paid by local school schools. \$255,597 of the billings to member districts for services was received outside of the available period and reported as deferred inflows of resources, which caused a decrease in customer services revenue in fiscal year 2020. Earnings on the Center's investments decreased during fiscal year 2020 as a result of lower interest rates. Meanwhile, intergovernmental revenues increased slightly based on the amount of per-pupil foundation revenue received from the state of Ohio for fiscal year 2020.

| <u>Expenditures</u> | 2020 Amount | (Restated) 2019 Amount | Increase (Decrease) | Percentage Change |
|---|----------------------|------------------------------|------------------------|----------------------|
| Instruction | \$ 4,101,239 | \$ 4,288,129 | \$ (186,890) | (4.36) % |
| Support services | 9,522,056 | 10,364,847 | (842,791) | (8.13) % |
| Non-instructional services | 171,701 | 217,555 | (45,854) | (21.08) % |
| Facilities acquisition and construction | <u>16,497</u> | <u>75,822</u> | <u>(59,325)</u> | (78.24) % |
| Total | <u>\$ 13,811,493</u> | <u>\$ 14,946,353</u> | <u>\$ (1,134,860)</u> | (7.59) % |

Instruction expenditures decreased 4.36 percent and support services decreased 8.13 percent from fiscal year 2019 as a result of fewer services provided to member districts during fiscal year 2020. Also, support services were higher in fiscal year 2019 as a result of the ECOT settlement paid to ODE, reported in fiscal expense. Fewer expenditures related to ALC programs contributed to a decrease in spending for non-instructional services. Facilities acquisition and construction expenditures for various repairs and improvements throughout the Center's buildings decreased during fiscal year 2020, as compared to fiscal year 2019.

Auxiliary Services Fund

The auxiliary services fund had \$4,420,140 in revenues and \$4,144,592 in expenditures. The auxiliary fund reports revenues and expenditures for services and supplies provided to students attending parochial schools. During fiscal year 2020, the auxiliary services fund's fund balance increased \$275,548 to a balance of \$315,489.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

Capital assets were restated at June 30, 2019, see Note 3.B and Note 7 in the notes to the basic financial statements for detail. At the end of fiscal 2020 the Center had \$4,002,492 invested in land, buildings and improvements, improvements other than buildings, furniture, fixtures and equipment, and vehicles. This entire amount is reported in governmental activities. The table that follows shows the balances of the Center's capital assets at June 30, 2020 compared to restated balances at June 30, 2019 (restated).

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|------------------------------------|-------------------------|--------------------|
| | 2020 | (Restated) 2019 |
| Land | \$ 314,321 | \$ 314,321 |
| Building and improvements | 3,250,560 | 3,484,115 |
| Improvements other than buildings | 327,741 | 351,520 |
| Furniture, fixtures, and equipment | 98,917 | 100,128 |
| Vehicles | 10,953 | 13,691 |
| Total | \$ 4,002,492 | \$ 4,263,775 |

The overall decrease in capital assets during fiscal year 2020 resulted from depreciation expense of \$296,697 exceeding capital outlay of \$35,414 during the current period.

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

Debt Administration

At June 30, 2020, the Center had no debt outstanding. See Note 9 to the basic financial statements for additional information on the Center's debt obligations.

Current Financial Related Activities

The Center is financially solvent. As the preceding information demonstrates, the Center relies heavily on contracts with local, city, and exempted village school districts, as well as state foundation revenue and grants. With new contracts with our local, city, and exempted school districts, and providing the fiscal and administrative role to several entities, the Center will be able to provide the necessary funds to meet operating expenses in the future.

For fiscal year 2020, the State funded schools based on the biennial budget as contained in House Bill 166 approved in July 2019. The economic downturn resulting from the COVID-19 pandemic has resulted in funding reductions from the House Bill 166 state budget for fiscal year 2021. The ultimate impact of the COVID-19 pandemic on state and local revenues is yet to be fully determined.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Contacting the Center's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Richard Cox, Treasurer of the Educational Service Center of Lake Erie West, at 2275 Collingwood Avenue, Toledo, Ohio 43620-1148 or via e-mail at RCox@eslakeeriewest.org.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . . | \$ 10,435,883 |
| Receivables: | |
| Accounts | 186,426 |
| Intergovernmental | 1,243,611 |
| Prepayments | 39,704 |
| Net OPEB asset | 1,595,107 |
| Capital assets: | |
| Nondepreciable capital assets | 314,321 |
| Depreciable capital assets, net | 3,688,171 |
| Capital assets, net | <u>4,002,492</u> |
| Total assets | <u>17,503,223</u> |
| Deferred outflows of resources: | |
| Pension | 5,436,547 |
| OPEB | <u>604,604</u> |
| Total deferred outflows of resources | <u>6,041,151</u> |
| Liabilities: | |
| Accounts payable | 66,863 |
| Accrued wages and benefits payable | 1,217,804 |
| Intergovernmental payable | 33,358 |
| Pension and postemployment benefits payable | 194,813 |
| Due within one year | 283,584 |
| Due in more than one year: | |
| Net pension liability (See Note 11) | 26,391,501 |
| Net OPEB liability (See Note 12) | 2,186,248 |
| Other amounts due in more than one year | <u>892,309</u> |
| Total liabilities | <u>31,266,480</u> |
| Deferred inflows of resources: | |
| Pension | 2,662,863 |
| OPEB | <u>3,022,642</u> |
| Total deferred inflows of resources | <u>5,685,505</u> |
| Net position: | |
| Investment in capital assets | 4,002,492 |
| Restricted for: | |
| Food service operations | 1,360 |
| State funded programs | 19,423 |
| Federally funded programs | 6,289 |
| Unrestricted (deficit) | <u>(17,437,175)</u> |
| Total net position (deficit) | <u>\$ (13,407,611)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

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 | \$ 129,339 | \$ 78,939 | \$ 43,548 | \$ (6,852) |
| Special | 4,677,451 | 3,750,339 | 277,273 | (649,839) |
| Adult/continuing. | 58,463 | 12,191 | 34,264 | (12,008) |
| Support services: | | | | |
| Pupil. | 3,352,753 | 2,956,324 | 121,151 | (275,278) |
| Instructional staff | 4,183,852 | 1,723,949 | 2,125,734 | (334,169) |
| Board of education | 19,545 | 16,476 | - | (3,069) |
| Administration. | 2,562,287 | 1,874,392 | 309,611 | (378,284) |
| Fiscal. | 1,011,271 | 764,817 | 89,732 | (156,722) |
| Business. | 75,928 | 62,973 | 120 | (12,835) |
| Operations and maintenance | 864,884 | 583,931 | 168,749 | (112,204) |
| Central | 621,424 | 492,502 | 23,420 | (105,502) |
| Operation of non-instructional services: | | | | |
| Food service operations | 11,500 | - | 10,332 | (1,168) |
| Other non-instructional services | 4,109,203 | 4,158,387 | 102,904 | 152,088 |
| Total governmental activities. | \$ 21,677,900 | \$ 16,475,220 | \$ 3,306,838 | (1,895,842) |
| General revenues: | | | | |
| Grants and entitlements not restricted to specific programs. | | | | 1,314,121 |
| Investment earnings | | | | 119,131 |
| Miscellaneous | | | | 149,156 |
| Total general revenues | | | | 1,582,408 |
| Change in net position | | | | (313,434) |
| Net position (deficit) at beginning of year (restated) | | | | (13,094,177) |
| Net position (deficit) at end of year | | | | \$ (13,407,611) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | <u>General</u> | <u>Auxiliary Services</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-------------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 9,805,247 | \$ 336,670 | \$ 293,966 | \$ 10,435,883 |
| Receivables: | | | | |
| Accounts | 147,259 | 20,846 | 18,321 | 186,426 |
| Interfund loans | 42,574 | - | - | 42,574 |
| Intergovernmental | 736,358 | 344,100 | 163,153 | 1,243,611 |
| Prepayments | 25,160 | 8,655 | 5,889 | 39,704 |
| Total assets | <u>\$ 10,756,598</u> | <u>\$ 710,271</u> | <u>\$ 481,329</u> | <u>\$ 11,948,198</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 35,264 | \$ - | \$ 31,599 | \$ 66,863 |
| Accrued wages and benefits payable | 804,474 | 344,889 | 68,441 | 1,217,804 |
| Compensated absences payable | 70,074 | - | 11,763 | 81,837 |
| Intergovernmental payable | 27,182 | 4,437 | 1,739 | 33,358 |
| Pension and postemployment benefits payable | 130,003 | 45,456 | 19,354 | 194,813 |
| Interfund loans payable | - | - | 42,574 | 42,574 |
| Total liabilities | <u>1,066,997</u> | <u>394,782</u> | <u>175,470</u> | <u>1,637,249</u> |
| Deferred inflows of resources: | | | | |
| Tuition revenue not available | 1,159 | - | - | 1,159 |
| Classroom fees revenue not available | 94,833 | - | - | 94,833 |
| Customer services revenue not available | 255,597 | - | 12,397 | 267,994 |
| Rental income not available | 240 | - | - | 240 |
| Miscellaneous revenue not available | - | - | 10,855 | 10,855 |
| Intergovernmental revenue not available | 3,929 | - | 42,561 | 46,490 |
| Total deferred inflows of resources | <u>355,758</u> | <u>-</u> | <u>65,813</u> | <u>421,571</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepays | 25,160 | 8,655 | 5,889 | 39,704 |
| Restricted: | | | | |
| Food service operations | - | - | 1,360 | 1,360 |
| Vocational education | - | - | 3,665 | 3,665 |
| Motorcycle safety | - | - | 7,695 | 7,695 |
| Committed: | | | | |
| Auxiliary services | - | 306,834 | - | 306,834 |
| Technology | 300 | - | - | 300 |
| Community school operations | 2,234,656 | - | - | 2,234,656 |
| Other purposes | 136,120 | - | 257,539 | 393,659 |
| Assigned: | | | | |
| Student instruction | 75 | - | - | 75 |
| Student and staff support | 217,694 | - | - | 217,694 |
| Facilities acquisition and construction | 8,420 | - | - | 8,420 |
| Unassigned (deficit) | <u>6,711,418</u> | <u>-</u> | <u>(36,102)</u> | <u>6,675,316</u> |
| Total fund balances | <u>9,333,843</u> | <u>315,489</u> | <u>240,046</u> | <u>9,889,378</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,756,598</u> | <u>\$ 710,271</u> | <u>\$ 481,329</u> | <u>\$ 11,948,198</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2020

| | | | |
|---|----|--------------|--------------|
| Total governmental fund balances | | \$ | 9,889,378 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 4,002,492 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Accounts receivable | \$ | 127,887 | |
| Intergovernmental receivable | | 293,684 | |
| Total | | 421,571 | 421,571 |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds: | | | |
| Deferred outflows of resources - pension | | 5,436,547 | |
| Deferred inflows of resources - pension | | (2,662,863) | |
| Net pension liability | | (26,391,501) | |
| Total | | (23,617,817) | (23,617,817) |
| The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds: | | | |
| Net OPEB asset | | 1,595,107 | |
| Deferred outflows of resources - OPEB | | 604,604 | |
| Deferred inflows of resources - OPEB | | (3,022,642) | |
| Net OPEB liability | | (2,186,248) | |
| Total: | | (3,009,179) | (3,009,179) |
| Long-term liabilities (compensated absences payable) are not due and payable in the current period and therefore are not reported in the funds. | | | (1,094,056) |
| Net position (deficit) of governmental activities | | \$ | (13,407,611) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

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

| | General | Auxiliary Services | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|--|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Tuition | \$ 5,053,532 | \$ - | \$ - | \$ 5,053,532 |
| Earnings on investments | 119,131 | 2,433 | - | 121,564 |
| Classroom materials and fees | 129,823 | - | 9,375 | 139,198 |
| Customer services | 6,430,700 | 4,417,707 | 212,945 | 11,061,352 |
| Rental income | 82,654 | - | 430 | 83,084 |
| Contributions and donations | 1,100 | - | 10,131 | 11,231 |
| Other local revenues | 63,910 | - | 111,467 | 175,377 |
| Intergovernmental - state | 1,310,192 | - | 666,045 | 1,976,237 |
| Intergovernmental - federal | - | - | 2,470,789 | 2,470,789 |
| | <u>13,191,042</u> | <u>4,420,140</u> | <u>3,481,182</u> | <u>21,092,364</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | - | - | 128,139 | 128,139 |
| Special | 4,101,151 | 278,899 | 283,953 | 4,664,003 |
| Adult/continuing | 88 | - | 58,195 | 58,283 |
| Support services: | | | | |
| Pupil | 3,079,379 | 131,718 | 131,557 | 3,342,654 |
| Instructional staff | 1,975,906 | - | 2,257,204 | 4,233,110 |
| Board of education | 19,594 | - | - | 19,594 |
| Administration | 2,187,292 | - | 378,879 | 2,566,171 |
| Fiscal | 909,496 | - | 90,305 | 999,801 |
| Business | 74,686 | - | 377 | 75,063 |
| Operations and maintenance | 692,914 | - | 171,762 | 864,676 |
| Central | 582,789 | - | 28,522 | 611,311 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 11,500 | 11,500 |
| Other non-instructional services | 171,701 | 3,733,975 | 167,219 | 4,072,895 |
| Facilities acquisition and construction | 16,497 | - | - | 16,497 |
| | <u>13,811,493</u> | <u>4,144,592</u> | <u>3,707,612</u> | <u>21,663,697</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(620,451)</u> | <u>275,548</u> | <u>(226,430)</u> | <u>(571,333)</u> |
| Other financing sources (uses): | | | | |
| Sale of assets | 1,252 | - | - | 1,252 |
| Transfers in | - | - | 171,640 | 171,640 |
| Transfers (out) | (171,640) | - | - | (171,640) |
| | <u>(170,388)</u> | <u>-</u> | <u>171,640</u> | <u>1,252</u> |
| Total other financing sources (uses) | <u>(170,388)</u> | <u>-</u> | <u>171,640</u> | <u>1,252</u> |
| Net change in fund balances | (790,839) | 275,548 | (54,790) | (570,081) |
| Fund balances at beginning of year (restated) | <u>10,124,682</u> | <u>39,941</u> | <u>294,836</u> | <u>10,459,459</u> |
| Fund balances at end of year | <u>\$ 9,333,843</u> | <u>\$ 315,489</u> | <u>\$ 240,046</u> | <u>\$ 9,889,378</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

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

| | | |
|--|-----------|------------------|
| Net change in fund balances - total governmental funds | \$ | (570,081) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 35,414 | |
| Current year depreciation | (296,697) | |
| Total | | (261,283) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Tuition revenue | (365) | |
| Classroom materials and fees | 94,148 | |
| Customer services revenue | 124,492 | |
| Rental income | 240 | |
| Miscellaneous revenues | 10,855 | |
| Intergovernmental | 41,480 | |
| Total | | 270,850 |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | | 2,006,893 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (2,468,751) |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| | | 50,379 |
| 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. | | |
| | | 508,682 |
| 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. | | |
| | | 149,877 |
| Change in net position of governmental activities | \$ | (313,434) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Educational Service Center of Lake Erie West (the “Center”) is located in Toledo, Ohio, the county seat of Lucas County. The Center supplies supervisory, special education, administrative, and other services to the Anthony Wayne, Ottawa Hills, Springfield, and Washington Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Maumee, Oregon, and Sylvania City School Districts. The Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Center operates under a locally elected Board of Education consisting of five members elected at-large for staggered four-year terms. The Center, as of June 30, 2020, is staffed by 12 administrators, 201 full-time and part-time certified employees, and 85 full-time and part-time classified employees who provide services to the local, exempted village and city school districts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

As of June 30, 2020, the Center served as fiscal agent for charter schools established under Chapter 3314 of the Ohio Revised Code. These charter schools are not considered a part of the Center.

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

JOINTLY GOVERNED ORGANIZATIONS

Penta Career Center (PCC)

The PCC is a jointly governed organization established by the Ohio Revised Code (ORC) to provide vocational education and special needs to students. The PCC accepts non-tuition students from the Center as a member school. The PCC is operated under the direction of a Board consisting of eleven members, each appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during even numbered years, one each from the ESC of Lake Erie West, Ottawa, and Wood County Centers, one from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during odd numbered years, one each from the Fulton, Lucas, Sandusky, and Wood County Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. The Center does not retain an ongoing financial interest or responsibility in the PCC. Financial information can be obtained from the PCC, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio, 43551-4594.

Northwest Ohio Computer Association (NWOCA)

NWOCA is an association of forty educational entities, primarily school districts, located in Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a regional council of governments consisting of 249 school districts, educational service centers, joint vocational districts and Developmental Disabilities boards located in 34 northern Ohio counties and serving over 500,000 students. The Council was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any district is limited to its representation on the Board. Financial information can be obtained by contacting William Zelei, Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio, 44131.

The Center participates in the Council's natural gas purchase program through a partnership with Constellation New Energy at a low, three-year, fixed price rate effective July 1, 2019. This program allows school districts to purchase natural gas at a guaranteed three-year fixed rate that will never flex with usage. There are currently 165 districts in the natural gas program.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The Council has partnered with the Ohio Association of School Business Officials, the Ohio School Boards Association and the Buckeye Association of School Administrators to form the Power4Schools program to bring savings on electric generation costs and budget certainty to Ohio public schools by pooling purchasing power statewide. Power4Schools transitioned from FirstEnergy Solutions to ENGIE Resources effective January 2020 as its exclusive provider for school districts in the Toledo Edison, Ohio Edison and The Illuminating Company service areas.

PUBLIC ENTITY RISK POOL

Southwestern Ohio Educational Purchasing Council (SOEPC)

The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), and insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SOEPC is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SOEPC's business and affairs are conducted by a board consisting of seven school administrators, who are elected by the membership each year.

In addition, the cooperative hires attorneys, auditor's and actuaries to assist in running the day to day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Financial information can be obtained from Mr. Ken Swink, Southwestern Ohio Educational Purchasing Council Director.

B. Fund Accounting

The Center uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Center maintains one category of funds: governmental.

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 Center'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.

Auxiliary services fund - This fund accounts for funds that provide service and materials to pupils attending parochial schools.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Other governmental funds of the Center are used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the Center at fiscal year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Center. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

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 Center are included on the statement of net position.

Fund Financial Statements - During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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

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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

Under the modified accrual basis, interest, tuition, customer services, grants, student fees, and rental income are considered to be both measurable and available at fiscal year-end.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, See Notes 11 and 12 for deferred outflows of resources related the Center's net pension liability and net OPEB liability/asset, respectively.

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

For the Center, See Notes 11 and 12 for deferred inflows of resources related to the Center's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized in the period during which they are incurred.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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. Budgetary Process

In fiscal year 2004, the Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center is discretionary, the Center's Board does approve appropriations and estimated resources for all funds for control purposes. The Center'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 object level for the general fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The Center has elected to not present budgetary schedules as supplementary information for the general fund and major special revenue fund.

F. Cash and Investments

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

As of June 30, 2020, the Center invested funds in nonnegotiable certificates of deposit. Non-participating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless required to be credited to a specific fund by statute or by policy of the Board. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$119,131, which includes \$4,073 assigned from other funds.

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

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

G. Capital Assets

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded their acquisition value of the date received. The Center maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized. The Center does not possess infrastructure.

All reported capital assets are depreciated except for land. 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 | Estimated Lives |
|------------------------------------|-----------------|
| Buildings and Improvements | 40 years |
| Improvements Other than Buildings | 5 - 20 years |
| Furniture, fixtures, and Equipment | 5 - 20 years |
| Vehicles | 8 years |

H. Interfund Balances

On fund financial statements, receivables and payables resulting from cash deficits are classified as “interfund loans receivable/payable”. These interfund balances between governmental funds are eliminated in the governmental type activities columns of the statement of net position.

I. Prepayments

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

J. Compensated Absences

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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) benefits. 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, 2019, 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 age fifty or greater with at least 10 years of service 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 absences 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. Compensated absences will be paid from the fund from which the employee’s salaries are paid.

K. 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 will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources; however, claims and judgments, net pension liability and 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.

L. Fund Balance

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the 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 Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Budget Stabilization Arrangement

The Center has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can be made to offset future budget deficits or expenditures as approved by the Board of Education. At June 30, 2020, the balance in the budget stabilization reserve was \$5,275,834. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

O. Estimates

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as 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.

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 Center and that are either unusual in nature or infrequent in occurrence. The Center did not have any transactions that were considered a special or extraordinary item during year 2020.

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

S. Fair Value

The Center 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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the Center 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 Center will no longer be reporting fiduciary funds. The Center reviewed its funds, and all funds formerly reported as agency funds have been reclassified to governmental funds. These fund reclassifications resulted in the restatement of the Center's financial statements (see Note 3.B for detail).

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 Center.

B. Restatement of Net Position and Fund Balances

Net position of the governmental activities has been restated at June 30, 2019, for the implementation of GASB Statement No. 84 and for an appraisal done over capital assets (see Note 7 for detail):

| | Governmental Activities |
|---|----------------------------|
| Net position as previously reported | \$ (13,465,289) |
| GASB Statement No. 84 | (25,914) |
| Prior period adjusment - capital assets | 397,026 |
| Restated net position, June 30, 2019 | \$ (13,094,177) |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 84 resulted in fund reclassifications from funds formerly reported in agency funds to the general fund and special revenue funds. In addition, certain funds reported as special revenue were reclassified to the general fund. These fund reclassifications had the following effect on fund balance as reported at June 30, 2019:

| | <u>General</u> | <u>Auxiliary Services</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-------------------------------|---|---|
| Fund balance as previously reported | \$ 10,092,056 | \$ 72,287 | \$ 310,001 | \$ 10,474,344 |
| GASB Statement No. 84 | <u>32,626</u> | <u>(32,346)</u> | <u>(15,165)</u> | <u>(14,885)</u> |
| Restated fund balance, June 30, 2019 | <u>\$ 10,124,682</u> | <u>\$ 39,941</u> | <u>\$ 294,836</u> | <u>\$ 10,459,459</u> |

C. Deficit Fund Balances

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

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|--------------------------------------|----------------|
| Public school preschool | \$ 4,407 |
| Miscellaneous state grants | 2,133 |
| Title VI-B | 21,858 |
| Title I disadvantaged students | 522 |
| IDEA preschool grant for handicapped | 2,294 |

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the 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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 are to 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all the Center deposits, including \$7,701,110 in non-negotiable certificates of deposits, was \$10,435,883. Of the \$10,703,963 bank balance, \$9,340,170 was covered by the FDIC and \$1,363,793 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Center 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 Center 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. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Center's financial institution was approved for a reduced collateral rate percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

B. Investments

The Center had no investments outstanding at June 30, 2020.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - INTERFUND TRANSACTIONS

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

Transfers from general fund to:

| | |
|---------------------------------|-------------------|
| Nonmajor special revenue funds: | |
| Other grants | \$ 161,943 |
| Miscellaneous state grants | <u>9,697</u> |
| Total transfers | <u>\$ 171,640</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

- B. Interfund balances at June 30, 2020, as reported on the fund financial statements, consist of the following interfund loans receivable/payable:

| Receivable fund | Payable funds | Amount |
|--|------------------------------------|------------------|
| General fund | Nonmajor special revenue funds: | |
| | Public school preschool | \$ 20,402 |
| | Miscellaneous state grants | 4,518 |
| | Title VI-B | 17,324 |
| | State and community highway safety | <u>330</u> |
| Total interfund loans receivable/payable | | <u>\$ 42,574</u> |

The primary purpose of the interfund loans receivable/payable is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2020 consisted of accounts (billings for user charged services and student fees) and intergovernmental (grants and entitlements and amounts due from other governments for contract services). All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|-------------------|---------------------|
| Accounts | \$ 186,426 |
| Intergovernmental | <u>1,243,611</u> |
| Total | <u>\$ 1,430,037</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RECEIVABLES - (Continued)

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

NOTE 7 - CAPITAL ASSETS

Capital assets at June 30, 2020, have been restated due a reappraisal of the Center's capital assets. Capital assets have been restated as follows:

| | Balance 6/30/19 | Adjustments | (Restated) Balance 6/30/19 |
|---|---------------------|--------------------|----------------------------------|
| | <u>6/30/19</u> | <u>Adjustments</u> | <u>6/30/19</u> |
| Governmental activities: | | | |
| <i>Capital assets, not being depreciated:</i> | | | |
| Land | \$ 314,321 | \$ - | \$ 314,321 |
| Total capital assets, not being depreciated | <u>314,321</u> | <u>-</u> | <u>314,321</u> |
| <i>Capital assets, being depreciated:</i> | | | |
| Buildings and improvements | 5,220,998 | 883,735 | 6,104,733 |
| Improvements other than buildings | 361,572 | 255,821 | 617,393 |
| Furniture, fixtures, and equipment | 2,052,811 | (1,622,749) | 430,062 |
| Vehicles | 21,906 | - | 21,906 |
| Total capital assets, being depreciated | <u>7,657,287</u> | <u>(483,193)</u> | <u>7,174,094</u> |
| <i>Less: accumulated depreciation</i> | | | |
| Buildings and improvements | (2,041,508) | (579,110) | (2,620,618) |
| Improvements other than buildings | (69,176) | (196,697) | (265,873) |
| Furniture, fixtures, and equipment | (1,982,492) | 1,652,558 | (329,934) |
| Vehicles | (11,683) | 3,468 | (8,215) |
| Total accumulated depreciation | <u>(4,104,859)</u> | <u>880,219</u> | <u>(3,224,640)</u> |
| Governmental activities capital assets, net | <u>\$ 3,866,749</u> | <u>\$ 397,026</u> | <u>\$ 4,263,775</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - CAPITAL ASSETS - (Continued)

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

| | (Restated) Balance 6/30/19 | Additions | Deductions | Balance 6/30/20 |
|---|----------------------------------|---------------------|-------------|---------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 314,321 | \$ - | \$ - | \$ 314,321 |
| Total capital assets, not being depreciated | <u>314,321</u> | <u>-</u> | <u>-</u> | <u>314,321</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 6,104,733 | 23,980 | - | 6,128,713 |
| Improvements other than buildings | 617,393 | - | - | 617,393 |
| Furniture, fixtures, and equipment | 430,062 | 11,434 | - | 441,496 |
| Vehicles | 21,906 | - | - | 21,906 |
| Total capital assets, being depreciated | <u>7,174,094</u> | <u>35,414</u> | <u>-</u> | <u>7,209,508</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Buildings and improvements | (2,620,618) | (257,535) | - | (2,878,153) |
| Improvements other than buildings | (265,873) | (23,779) | - | (289,652) |
| Furniture, fixtures, and equipment | (329,934) | (12,645) | - | (342,579) |
| Vehicles | (8,215) | (2,738) | - | (10,953) |
| Total accumulated depreciation | <u>(3,224,640)</u> | <u>(296,697)</u> | <u>-</u> | <u>(3,521,337)</u> |
| Governmental activities capital assets, net | <u>\$ 4,263,775</u> | <u>\$ (261,283)</u> | <u>\$ -</u> | <u>\$ 4,002,492</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense during fiscal year 2020 was charged to governmental functions as follows:

| | |
|---|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 1,965 |
| Special | 59,201 |
| Adult/continuing | 294 |
| <u>Support services:</u> | |
| Pupil | 44,158 |
| Instructional staff | 80,657 |
| Administration | 27,668 |
| Fiscal | 11,252 |
| Business | 865 |
| Operations and maintenance | 8,742 |
| Central | 7,795 |
| Operation of non-instructional services | <u>54,100</u> |
| Total depreciation expense | <u>\$ 296,697</u> |

NOTE 8 - OPERATING LEASES - LESSEE DISCLOSURE

The Center entered into operating leases for copier equipment during prior fiscal years. The amount of the future lease payments required under the operating leases at June 30, 2020 follows:

| <u>Fiscal Year</u> <u>Endng June 30,</u> | <u>Amount</u> |
|---|-------------------|
| 2021 | \$ 44,647 |
| 2022 | 44,647 |
| 2023 | 44,647 |
| 2024 | <u>30,734</u> |
| | <u>\$ 164,675</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS

The long-term obligations of the governmental activities were restated at June 30, 2019, to include \$11,029 in compensated absences payable that was previously reported in an agency fund. During fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

| | (Restated) Balance 06/30/19 | Additions | Reductions | Balance 06/30/20 | Amounts due in one year |
|---------------------------------|-----------------------------------|-------------------|-----------------------|----------------------|-------------------------------|
| Governmental activities: | | | | | |
| Compensated absences payable | \$ 1,320,576 | \$ 271,236 | \$ (415,919) | \$ 1,175,893 | \$ 283,584 |
| Net pension liability: | | | | | |
| STRS | 20,988,803 | 309,340 | - | 21,298,143 | - |
| SERS | <u>5,667,920</u> | <u>-</u> | <u>(574,562)</u> | <u>5,093,358</u> | <u>-</u> |
| Total net pension liability | <u>26,656,723</u> | <u>309,340</u> | <u>(574,562)</u> | <u>26,391,501</u> | <u>-</u> |
| Net OPEB liability: | | | | | |
| SERS | <u>2,768,344</u> | <u>-</u> | <u>(582,096)</u> | <u>2,186,248</u> | <u>-</u> |
| Total net OPEB liability | <u>2,768,344</u> | <u>-</u> | <u>(582,096)</u> | <u>2,186,248</u> | <u>-</u> |
| Total long-term obligations | <u>\$ 30,745,643</u> | <u>\$ 580,576</u> | <u>\$ (1,572,577)</u> | <u>\$ 29,753,642</u> | <u>\$ 283,584</u> |

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

Net Pension Liability - The Center's net pension liability is described in Note 11. The Center pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability - The Center's net OPEB liability is described in Note 12. The Center pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 10 - RISK MANAGEMENT

Comprehensive

The Center does not have a "self-insurance" fund with formalized risk management programs. The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center is a member of the SOEPC program (see Note 2.A. for detail). The SOEPC Program is a public entity risk pool established pursuant to ORC 9.833 in order to provide the following coverage:

| | |
|---|---------------|
| Commercial property (per occurrence): | |
| Earth movement | \$ 25,000,000 |
| Named storm | 350,000,000 |
| Flood | 10,000,000 |
| Debris removal | 10,000,000 |
| Accounts receivable - not exceed \$100,000 per member | 4,425,500 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RISK MANAGEMENT - (Continued)

| | |
|---|--------------|
| Commercial property (per occurrence) - continued: | |
| Errors and omissions | \$ 2,500,000 |
| Newly acquired locations | 2,500,000 |
| Renovations | 2,500,000 |
| Extra expense - \$2,505,590 per member | 165,000,000 |
| Demolition and increased cost of construction | 10,000,000 |
| Fine arts - not to exceed \$50,000 per member | 2,563,500 |
| Valuable papers and records | 4,041,888 |
| Mobile equipment | 2,829,604 |
| Vehicles, but excluding busses 5 years old or less | 45,619,839 |
| Musical instruments | 12,272,752 |
| Audio visual equipment | 5,592,393 |
| Fiber optic cable | 10,000,000 |
| EDP media | 3,688,470 |
| EDP equipment | 54,521,484 |
| EDP extra expense | 2,505,590 |
| Automobile: | |
| Combined | 10,000,000 |
| Limit of liability - per occurrence | 1,150,000 |
| Boiler and machinery (per limit): | |
| Property damage | 250,000,000 |
| Hazardous substance limitation | 10,000,000 |
| Spoilage damage | 100,000,000 |
| Dependent property extension | 10,000,000 |
| Electronic data or media extension | 5,000,000 |
| General liability: | |
| Annual aggregate | 10,000,000 |
| Per occurrence | 1,150,000 |
| Sexual harassment - per occurrence | 1,150,000 |
| Sexual abuse - per occurrence | 1,150,000 |
| Educators legal and employment practices liability: | |
| Each claim/annual aggregate | 1,000,000 |
| School Board miscellaneous liability: | |
| Annual aggregate | 10,000,000 |
| Per occurrence | 1,000,000 |
| Errors and omissions - per occurrence | 1,000,000 |
| Employment practice liability - per occurrence | 1,000,000 |
| Sexual harassment - per occurrence | 1,000,000 |
| Excess employers' liability: | |
| Annual aggregate | 10,000,000 |
| Per occurrence | 1,150,000 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RISK MANAGEMENT - (Continued)

| | |
|--------------------------------|--------------|
| Employee benefits liability: | |
| Annual aggregate | \$10,000,000 |
| Per occurrence | 1,150,000 |
| Law enforcement liability: | |
| Annual aggregate | 10,000,000 |
| Per occurrence | 1,150,000 |
| Cyber liability: | |
| Per claim and in the aggregate | 1,000,000 |
| Site pollution incident: | |
| Total policy aggregate | 5,000,000 |
| Each incident limit | 1,000,000 |
| Crisis protection: | |
| Aggregate limit | 20,000,000 |
| Per occurrence | 1,000,000 |

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full benefits | 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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Center 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 Center's contractually required contribution to SERS was \$386,226 for fiscal year 2020. Of this amount, \$5,861 is reported as pension and postemployment benefits payable.

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 E. Broad St., Columbus, OH 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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the 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 Center 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 Center's contractually required contribution to STRS was \$1,620,667 for fiscal year 2020. Of this amount, \$136,938 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 Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities.

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.09896520% | 0.09545678% | |
| Proportion of the net pension liability current measurement date | <u>0.08512800%</u> | <u>0.09630894%</u> | |
| Change in proportionate share | <u>-0.01383720%</u> | <u>0.00085216%</u> | |
| Proportionate share of the net pension liability | \$ 5,093,358 | \$ 21,298,143 | \$ 26,391,501 |
| Pension expense | \$ 372,073 | \$ 2,096,678 | \$ 2,468,751 |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 129,157 | \$ 173,404 | \$ 302,561 |
| Changes of assumptions | - | 2,501,878 | 2,501,878 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 49,600 | 575,615 | 625,215 |
| Contributions subsequent to the measurement date | <u>386,226</u> | <u>1,620,667</u> | <u>2,006,893</u> |
| Total deferred outflows of resources | <u>\$ 564,983</u> | <u>\$ 4,871,564</u> | <u>\$ 5,436,547</u> |

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 92,195 | \$ 92,195 |
| Net difference between projected and actual earnings on pension plan investments | 65,381 | 1,040,936 | 1,106,317 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>502,555</u> | <u>961,796</u> | <u>1,464,351</u> |
| Total deferred inflows of resources | <u>\$ 567,936</u> | <u>\$ 2,094,927</u> | <u>\$ 2,662,863</u> |

\$2,006,893 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|-------------------|
| Fiscal Year Ending June 30: | | | |
| 2021 | \$ (160,570) | \$ 800,293 | \$ 639,723 |
| 2022 | (261,337) | 170,889 | (90,448) |
| 2023 | (4,350) | 35,815 | 31,465 |
| 2024 | <u>37,078</u> | <u>148,973</u> | <u>186,051</u> |
| Total | <u>\$ (389,179)</u> | <u>\$ 1,155,970</u> | <u>\$ 766,791</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| 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 | <u>100.00 %</u> | |

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.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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.

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| Center's proportionate share of the net pension liability | \$ 7,137,615 | \$ 5,093,358 | \$ 3,378,992 |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the 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:

| 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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|---------------|
| Center's proportionate share of the net pension liability | \$ 31,124,864 | \$ 21,298,143 | \$ 12,979,321 |

NOTE 12 - 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.

The net OPEB liability/asset represents the Center's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/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 bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

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

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - 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, prorated 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 Center's surcharge obligation was \$50,379.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was \$50,379 for fiscal year 2020. Of this amount, \$50,379 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 Center's proportion of the net OPEB liability/asset was based on the Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|--------------------|----------------|
| Proportion of the net OPEB liability/asset prior measurement date | 0.09978640% | 0.09545678% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.08693560%</u> | <u>0.09630894%</u> | |
| Change in proportionate share | <u>-0.01285080%</u> | <u>0.00085216%</u> | |
| Proportionate share of the net OPEB liability | \$ 2,186,248 | \$ - | \$ 2,186,248 |
| Proportionate share of the net OPEB asset | \$ - | \$ (1,595,107) | \$ (1,595,107) |
| OPEB expense | \$ (9,292) | \$ (499,390) | \$ (508,682) |

At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 32,093 | \$ 144,609 | \$ 176,702 |
| Net difference between projected and actual earnings on OPEB plan investments | 5,246 | - | 5,246 |
| Changes of assumptions | 159,680 | 33,529 | 193,209 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 51,706 | 127,362 | 179,068 |
| Contributions subsequent to the measurement date | <u>50,379</u> | <u>-</u> | <u>50,379</u> |
| Total deferred outflows of resources | <u>\$ 299,104</u> | <u>\$ 305,500</u> | <u>\$ 604,604</u> |

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 480,303 | \$ 81,153 | \$ 561,456 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 100,185 | 100,185 |
| Changes of assumptions | 122,510 | 1,748,851 | 1,871,361 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>352,385</u> | <u>137,255</u> | <u>489,640</u> |
| Total deferred inflows of resources | <u>\$ 955,198</u> | <u>\$ 2,067,444</u> | <u>\$ 3,022,642</u> |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$50,379 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/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 | \$ (197,770) | \$ (391,798) | \$ (589,568) |
| 2022 | (112,776) | (391,798) | (504,574) |
| 2023 | (111,240) | (351,648) | (462,888) |
| 2024 | (111,487) | (337,563) | (449,050) |
| 2025 | (116,357) | (294,541) | (410,898) |
| Thereafter | (56,843) | 5,404 | (51,439) |
| Total | \$ (706,473) | \$ (1,761,944) | \$ (2,468,417) |

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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - 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, 2020 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - 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 | <u>100.00 %</u> | |

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 Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) 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 |
|---|--------------|--------------------------|--------------|
| Center's proportionate share of the net OPEB liability | \$ 2,653,690 | \$ 2,186,248 | \$ 1,814,576 |

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| Center's proportionate share of the net OPEB liability | \$ 1,751,627 | \$ 2,186,248 | \$ 2,762,884 |

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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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:

| <u>Asset Class</u> | <u>Target Allocation*</u> | <u>Long-Term Expected Real Rate of Return **</u> |
|----------------------|---------------------------|--|
| 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 | <u>100.00 %</u> | |

* 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 Center'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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| Center's proportionate share of the net OPEB asset | \$ 1,361,106 | \$ 1,595,107 | \$ 1,791,847 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| Center's proportionate share of the net OPEB asset | \$ 1,808,778 | \$ 1,595,107 | \$ 1,333,412 |

NOTE 13 - STATE AND LOCAL FUNDING

The main sources of revenues of Educational Service Center (ESC) funding are the local funds that are deducted from the state foundation funding of the client districts and transferred to the ESC under ORC Sections 3313.843 or 3313.845 as well as state funds that are distributed directly to the ESCs based on parameters listed in Ohio Revised Code (ORC) Sections 263.220 and 263.390. Additionally, ESCs can apply to any state or federal agency for competitive grants.

A. State Funding

ORC Sections 263.220 and 263.390 provide for direct state funding of the ESCs for the general purpose of program maintenance and service delivery to client school districts.

State Per-Pupil Funding - One component of state funding is predicated on the per-pupil amounts. The per-pupil amount is applied to the total count of students of the client districts these entities serve. The law provides for \$40,000,000 in fiscal years 2020 and 2021, respectively, 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. As the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels.

The Am. Sub. HB 49 continued state per-pupil funding for ESCs. An ESC may apply to the Ohio Department of Education to be designated as a High-Performing ESC. The Educational Service Center of Lake Erie is a High-Performing ESC that will generate \$26.00 per student instead of the standard amount of \$24.00.

State Gifted Funding - Another component of the state funding of ESCs is for gifted education. Under this section of the law the Ohio Department of Education (ODE) is authorized to set aside \$3,800,000 of the total statewide appropriation slated for Foundation Funding for ESC gifted education. ODE is to distribute this funding through the unit-based funding methodology in place under ORC Section 3317.024(L), ORC Section 3317.05(E) and ORC Section 3317.035(A), (B) and (C) as they existed prior to fiscal year 2010. These sections of the law provide for the cost of each gifted unit to be predicated on the salary and fringes of the full time equivalent of the personnel involved at 15% of the salary figure as well as any additional unit allowances the law allows. The law also provides for the proration of the resulting state funding if the appropriation is not sufficient.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - STATE AND LOCAL FUNDING - (Continued)

In addition to the above-mentioned funding from the state, ESCs also receive funding to cover the costs associated with the transportation of special needs students and for special equipment needed for such transportation. This aid is calculated as the lesser of the actual cost reported or the sum of \$6 per pupil per day plus half of the amount by which the actual cost exceeds \$6 per pupil per day. The stat covers 60% of this amount.

C. Local Funding

ORC Section 3313.843 Contracts

Presently the law provides that city, exempted village and local school districts with an average daily enrollment of 16,000 or less must enter into an agreement with an ESC under ORC Section 3313.843. The services the ESC provides to the client district under this section may include a variety of services including special education for students with special needs. Since ESCs have no legal taxing or bonding authority they must depend on revenues from member school districts.

Local Per-Pupil Funding - ORC Section 3313.843(H) provides that pursuant to provisions of ORC Section 3317.023 the ODE 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.

Local Preschool Funding - In addition to services provided to school age children, ESCs can also provide preschool services to children with disabilities who are under the age of 6 and are not enrolled in kindergarten. Under the provisions of ORC 3317.0213, the ODE shall compute and pay additional state aid to school districts for preschool children with disabilities. The state funding for preschool services goes directly to the school district based on the count of students the district reports. The district can choose to provide the services itself or contract with an ESC. Preschool funding will be calculated based on parameters specified in ORC Section 3317.0213(A). If the district provides the services itself, then the funding will remain with the district. If on the other hand the district contracts with an ESC, the calculated funding will be deducted from the foundation payment of the district and sent to the ESC.

School districts and ESCs can also agree on an alternative payment mechanism or they can agree on bypassing ODE altogether and base the payments directly from the district to the ESC. Should the district use these services for the preschool children and have ODE deduct the foundation from its foundation funding, the ESC funding will be based on a constant per-pupil amount of \$4,000 applied to the total count of all preschool children with disabilities plus special education per-pupil amounts as specified in the law, applied to each one of the 6 categories of special education preschool children. For this purpose special education preschool children are classified into 6 categories in accordance with their handicapping condition. The law provides for a unique per-pupil amount for each one of the categories that is applied at 50% strength to the number of children in the respective category. To wealth equalize this funding the law also calls for the application of the state share index which is the measure of the state contribution to the foundation formula of the district to this part of the funding calculation.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 13 - STATE AND LOCAL FUNDING - (Continued)

ORC Section 3313.845 Contracts

Service Contracts - In addition to service contracts under ORC Section 3313.843, districts may set up contracts with ESCs for various services based on agreed upon fees beyond those covered by ORC Section 3313.843 contracts. Funds for those contractual services can be deducted from contracting school districts' foundation calculation and sent to the appropriate ESCs. To receive payment for these contracts an ESC must furnish the ODE with a copy of the contract or a written statement clearly indicating the amount of the contract for each contracting school district. ESCs also have the option of billing school districts directly for these contracts instead of having the state deduct the contract amounts from their foundation funding.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. School Foundation

School district Foundation funding is based on the annualized full-time (FTE) enrollment of each student. Traditional school students must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula ODE is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. The Center's September 18, 2020 foundation settlement included an FTE adjustment for fiscal year 2020. This resulted in an increase of \$3,929, and is reported as an intergovernmental receivable in the financial statements. The Center's November 27, 2020 foundation settlement included an FTE adjustment for fiscal year 2020. The November 27, 2020 adjustment was a decrease of \$2,589 and is not material to the financial statements and is not included in the financial statements as of June 30, 2020.

C. 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 Center. The Center's investment portfolio and the investments of the pension and other employee benefit plan in which the Center 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 Center's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - OTHER COMMITMENTS

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

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| General | \$ 226,863 |
| Auxiliary services | 82,520 |
| Nonmajor governmental | <u>67,612</u> |
| Total | <u>\$ 376,995</u> |

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**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| Center's proportion of the net pension liability | 0.08512800% | 0.09896520% | 0.09468440% | 0.09875850% |
| Center's proportionate share of the net pension liability | \$ 5,093,358 | \$ 5,667,920 | \$ 5,657,184 | \$ 7,228,211 |
| Center's covered payroll | \$ 2,917,415 | \$ 3,219,415 | \$ 3,148,907 | \$ 3,062,993 |
| Center's proportionate share of the net pension liability as a percentage of its covered payroll | 174.58% | 176.05% | 179.66% | 235.99% |
| 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 Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------|--------------|--------------|
| 0.11175330% | 0.11016800% | 0.11016800% |
| \$ 6,376,752 | \$ 5,575,540 | \$ 6,551,337 |
| \$ 3,364,355 | \$ 3,201,263 | \$ 3,048,100 |
| 189.54% | 174.17% | 214.93% |
| 69.16% | 71.70% | 65.52% |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|
| Center's proportion of the net pension liability | 0.09630894% | 0.09545678% | 0.09133331% | 0.09582460% |
| Center's proportionate share of the net pension liability | \$ 21,298,143 | \$ 20,988,803 | \$ 21,696,424 | \$ 32,075,382 |
| Center's covered payroll | \$ 11,361,143 | \$ 11,427,871 | \$ 10,082,929 | \$ 9,949,293 |
| Center's proportionate share of the net pension liability as a percentage of its covered payroll | 187.46% | 183.66% | 215.18% | 322.39% |
| 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 Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------|---------------|---------------|
| 0.10338433% | 0.11090770% | 0.11090770% |
| \$ 28,572,405 | \$ 26,976,586 | \$ 32,134,333 |
| \$ 10,835,579 | \$ 11,331,700 | \$ 12,099,377 |
| 263.69% | 238.06% | 265.59% |
| 72.10% | 74.70% | 69.30% |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 386,226 | \$ 393,851 | \$ 434,621 | \$ 440,847 |
| Contributions in relation to the contractually required contribution | <u>(386,226)</u> | <u>(393,851)</u> | <u>(434,621)</u> | <u>(440,847)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Center's covered payroll | \$ 2,758,757 | \$ 2,917,415 | \$ 3,219,415 | \$ 3,148,907 |
| Contributions as a percentage of covered payroll | 14.00% | 13.50% | 13.50% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 428,819 | \$ 443,422 | \$ 443,695 | \$ 421,857 | \$ 406,561 | \$ 429,072 |
| <u>(428,819)</u> | <u>(443,422)</u> | <u>(443,695)</u> | <u>(421,857)</u> | <u>(406,561)</u> | <u>(429,072)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 3,062,993 | \$ 3,364,355 | \$ 3,201,263 | \$ 3,048,100 | \$ 3,022,758 | \$ 3,413,461 |
| 14.00% | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 1,620,667 | \$ 1,590,560 | \$ 1,599,902 | \$ 1,411,610 |
| Contributions in relation to the contractually required contribution | <u>(1,620,667)</u> | <u>(1,590,560)</u> | <u>(1,599,902)</u> | <u>(1,411,610)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Center's covered payroll | \$ 11,576,193 | \$ 11,361,143 | \$ 11,427,871 | \$ 10,082,929 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,392,901 | \$ 1,516,981 | \$ 1,473,121 | \$ 1,572,919 | \$ 1,589,872 | \$ 1,674,185 |
| <u>(1,392,901)</u> | <u>(1,516,981)</u> | <u>(1,473,121)</u> | <u>(1,572,919)</u> | <u>(1,589,872)</u> | <u>(1,674,185)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,949,293 | \$ 10,835,579 | \$ 11,331,700 | \$ 12,099,377 | \$ 12,229,785 | \$ 12,878,346 |
| 14.00% | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|--------------|
| Center's proportion of the net OPEB liability | 0.08693560% | 0.09978640% | 0.09612940% | 0.09995322% |
| Center's proportionate share of the net OPEB liability | \$ 2,186,248 | \$ 2,768,344 | \$ 2,579,861 | \$ 2,849,036 |
| Center's covered payroll | \$ 2,917,415 | \$ 3,219,415 | \$ 3,148,907 | \$ 3,062,993 |
| Center's proportionate share of the net OPEB liability as a percentage of its covered payroll | 74.94% | 85.99% | 81.93% | 93.01% |
| 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 Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|---------------|--------------|
| Center's proportion of the net OPEB liability/asset | 0.09630894% | 0.09545678% | 0.09133331% | 0.09582460% |
| Center's proportionate share of the net OPEB liability/(asset) | \$ (1,595,107) | \$ (1,533,893) | \$ 3,563,489 | \$ 5,124,725 |
| Center's covered payroll | \$ 11,361,143 | \$ 11,427,871 | \$ 10,082,929 | \$ 9,949,293 |
| Center's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 14.04% | 13.42% | 35.34% | 51.51% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 174.40% | 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 Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 50,379 | \$ 66,226 | \$ 67,280 | \$ 52,609 |
| Contributions in relation to the contractually required contribution | <u>(50,379)</u> | <u>(66,226)</u> | <u>(67,280)</u> | <u>(52,609)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Center's covered payroll | \$ 2,758,757 | \$ 2,917,415 | \$ 3,219,415 | \$ 3,148,907 |
| Contributions as a percentage of covered payroll | 1.83% | 2.27% | 2.09% | 1.67% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| \$ 50,029 | \$ 90,674 | \$ 61,667 | \$ 54,706 | \$ 66,453 | \$ 129,539 |
| <u>(50,029)</u> | <u>(90,674)</u> | <u>(61,667)</u> | <u>(54,706)</u> | <u>(66,453)</u> | <u>(129,539)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 3,062,993 | \$ 3,364,355 | \$ 3,201,263 | \$ 3,048,100 | \$ 3,022,758 | \$ 3,413,461 |
| 1.63% | 2.70% | 1.93% | 1.79% | 2.20% | 3.79% |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Center's covered payroll | \$ 11,576,193 | \$ 11,361,143 | \$ 11,427,871 | \$ 10,082,929 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------|---------------|---------------|---------------|---------------|---------------|
| \$ - | \$ - | \$ 114,422 | \$ 120,994 | \$ 122,298 | \$ 128,783 |
| - | - | (114,422) | (120,994) | (122,298) | (128,783) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 9,949,293 | \$ 10,835,579 | \$ 11,331,700 | \$ 12,099,377 | \$ 12,229,785 | \$ 12,878,346 |
| 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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)

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS COUNTY**

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

| FEDERAL GRANTOR | | Federal | |
|--|---------------|----------------|----------------------------|
| <i>Pass Through Grantor</i> | | CFDA | Total Federal |
| Program / Cluster Title | Number | | Expenditures |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| National School Lunch Program | 10.555 | \$ | 6,271 |
| COVID-19 National School Lunch Program | 10.555 | | 665 |
| Total National School Lunch Program | | | <u>6,936</u> |
| School Breakfast Program | 10.553 | | 2,845 |
| COVID-19 School Breakfast Program | 10.553 | | 226 |
| Total School Breakfast Program | | | <u>3,071</u> |
| Total Child Nutrition Cluster | | | <u>10,007</u> |
| Total U.S. Department of Agriculture | | | <u>10,007</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| <i>Passed Through Ohio Department of Public Safety</i> | | | |
| <u>Highway Safety Cluster</u> | | | |
| State and Community Highway Safety | 20.600 | | <u>60,158</u> |
| Total Highway Safety Cluster | | | <u>60,158</u> |
| Total U.S. Department of Transportation | | | <u>60,158</u> |
| U.S. DEPARTMENT OF DEFENSE | | | |
| <i>Direct Program</i> | | | |
| Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools | 12.556 | | <u>43,512</u> |
| Total U.S. Department of Defense | | | <u>43,512</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Special Education Cluster:</u> | | | |
| Special Education_Grants to States (IDEA, Part B) | 84.027 | | 2,017,830 |
| Special Education_Grants to States (IDEA, Part B): Parent Mentoring | | | 23,909 |
| Special Education_Grants to States (IDEA, Part B): Early Literacy | | | 81,915 |
| Total Special Education_Grants to States | | | <u>2,123,654</u> |
| Special Education_Preschool Grants | 84.173 | | 83,143 |
| Special Education_Preschool Grants: ARRA-Race to the Top | | | |
| Early Learning Discretionary | | | 57,074 |
| Special Education_Preschool Grants: Early Literacy | | | 22,757 |
| Total Special Education_Preschool Grants | | | <u>162,974</u> |
| Total Special Education Cluster | | | <u>2,286,628</u> |
| Title I Grants to Local Educational Agencies | 84.010 | | <u>99,942</u> |
| Total U.S. Department of Education | | | <u>2,386,570</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,500,247</u> |

The accompanying notes are an integral part of this schedule.

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS 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 the Educational Service Center of Lake Erie West, Lucas County, Ohio (the Center) 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 Center, it is not intended to and does not present the financial position or changes in net position of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

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

Educational Service Center of Lake Erie West
Lucas County
2275 Collingwood Boulevard
Toledo, Ohio 43620-1148

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Lake Erie West, Lucas County, Ohio (the Center) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 26, 2021 wherein we noted the Center implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We also noted the Center restated beginning balance of net position due to having an appraisal done over capital assets. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Center.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center'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 Center's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2021



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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**

Educational Service Center of Lake Erie West
Lucas County
2275 Collingwood Boulevard
Toledo, Ohio 43620-1148

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited the Educational Service Center of Lake Erie West, Lucas County, Ohio's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Educational Service Center of Lake Erie West'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 Center's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2021

**EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST
LUCAS 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 |
| (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



EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST

LUCAS 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 2/16/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov