



OHIO AUDITOR OF STATE
KEITH FABER



**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
ROSS COUNTY
JUNE 30, 2020**

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**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
ROSS COUNTY
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Ross- Pike Educational Service District
Ross County
475 Western Avenue
Chillicothe, Ohio 45601

To the Board of Education:

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 Ross- Pike Educational Service District, Ross County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District'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 District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. 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*, required budgetary comparison schedules, 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 District'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 February 1, 2021, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
February 1, 2021

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ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

The management discussion and analysis of the Ross-Pike Educational Service District's financial performance provides an overview and analysis of the Educational Service District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Educational Service District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Educational Service District's financial performance.

Financial Highlights

- < In total, net position of governmental activities decreased \$1,403,638, from a deficit of \$8,233,989 to a deficit balance of \$9,637,627 which represents a 17.05 percent decrease from 2019.
- < General revenues accounted for \$594,825 or 5.35 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$10,528,778 or 94.65 percent of total revenues of \$11,123,603.
- < The Educational Service District had \$12,527,241 in expenses related to governmental activities; \$10,528,778 of these expenses were offset by program specific charges for services and operating grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$594,825 were used to provide for the remainder of these programs, but were not adequate to cover the balance of governmental programs.
- < The Educational Service District major governmental funds are the General Fund and IDEA Part B Fund. The General Fund had \$8,777,173 in revenues and \$8,853,766 in expenditures. During fiscal year 2020, the General Fund balance decreased \$76,593 from \$3,923,782 to \$3,847,189.
- < The IDEA Part B Fund had \$1,255,383 in revenues and \$1,247,689 in expenditures. During fiscal year 2020, the IDEA Part B Fund balance increased \$7,694 from a deficit of \$12,171 to a deficit of \$4,477.

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 Ross-Pike Educational Service District 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 Educational Service District, presenting both an aggregate view of the Educational Service District'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 Educational Service District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Educational Service District, the General Fund and IDEA Part B Fund are by far the most significant funds, and the only governmental funds reported as major funds.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

Reporting the Educational Service District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Educational Service District to provide programs and activities, the view of the Educational Service District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets, liabilities, deferred outflows, deferred inflows, revenues and expenses using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service District's net position and changes in overall net position. This change in net position is important because it tells the reader that, for the Educational Service District as a whole, the financial position of the Educational Service District 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 Educational Service District'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 Educational Service District's programs and services, including instruction, support services, and operation of non-instructional services.

The Educational Service District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the Educational Service District's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the Educational Service District's major funds. The Educational Service District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service District's most significant funds. The Educational Service District's major governmental funds are the General Fund and IDEA Part B Fund.

Governmental Funds

Most of the Educational Service District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other *financial assets* that can readily be converted to cash.

The governmental fund financial statements provide a detailed *short-term* view of the Educational Service District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

Proprietary Funds

The Educational Service District's proprietary fund is an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Educational Service District's various functions. The Educational Service District's internal service fund accounts for dental and vision self-insurance programs. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Reporting the Educational Service District's Fiduciary Responsibilities

The Educational Service District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The Educational Service District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the Educational Service District's other financial statements because the assets cannot be utilized by the Educational Service District to finance its operations. The agency funds are used to account for virtual learning programs and district agency.

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. These notes to the basic financial statements can be found on pages 25-61 of this report.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

(Unaudited)

The Educational Service District as a Whole

Recall that the statement of net position provides the perspective of the Educational Service District as a whole. Table 1 provides a summary of the Educational Service District's net position for 2020 compared to fiscal year 2019:

Table 1
Net Position at Year End

	Governmental Activities		
	2020	2019	Change
<i>Assets:</i>			
Current and Other Assets	\$ 5,367,559	\$ 5,408,800	\$ (41,241)
Net OPEB Asset	661,630	656,167	5,463
Capital Assets, Net	54,722	73,027	(18,305)
<i>Total Assets</i>	<u>6,083,911</u>	<u>6,137,994</u>	<u>(54,083)</u>
<i>Deferred Outflows of Resources:</i>			
Pension	2,738,659	3,833,668	(1,095,009)
OPEB	702,454	445,009	257,445
<i>Total Deferred Outflows of Resource.</i>	<u>3,441,113</u>	<u>4,278,677</u>	<u>(837,564)</u>
<i>Liabilities:</i>			
Current and Other Liabilities	1,212,672	1,092,564	120,108
<i>Long-Term Liabilities:</i>			
Due Within One Year	38,277	42,884	(4,607)
Due in More than One Year:			
Net Pension Liability	13,400,192	13,037,444	362,748
Net OPEB Liability	1,969,613	1,988,630	(19,017)
Other Amounts	296,483	230,173	66,310
<i>Total Liabilities</i>	<u>16,917,237</u>	<u>16,391,695</u>	<u>525,542</u>
<i>Deferred Inflows of Resources:</i>			
Pension	894,295	1,067,272	(172,977)
OPEB	1,351,119	1,191,693	159,426
<i>Total Deferred Inflows of Resources</i>	<u>2,245,414</u>	<u>2,258,965</u>	<u>(13,551)</u>
<i>Net Position:</i>			
Net Investment in Capital Assets	54,722	73,027	(18,305)
Restricted	182,952	246,317	(63,365)
Unrestricted	(9,875,301)	(8,553,333)	(1,321,968)
<i>Total Net Position</i>	<u>(\$9,637,627)</u>	<u>(\$8,233,989)</u>	<u>(\$1,403,638)</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the Educational Service District's proportionate share of each plan's collective:

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

GASB notes that pension 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 Educational Service District 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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

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

In accordance with GASB 68 and GASB 75, the Educational Service District'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.

At fiscal year-end, capital assets represented 0.89% of total assets. Capital assets include furniture and equipment and educational materials. Capital assets, net of accumulated depreciation at June 30, 2020, were \$54,722. These capital assets are used to provide services to students of other school districts and are not available for future spending.

Current liabilities increased \$120,108 or 10.99% from fiscal year 2019 due primarily to increases in both accrued wages and benefits and contracts payable.

Long-term liabilities increased by \$405,434 or 2.40% as the result of a increase in net pension and net OPEB liabilities due to actuarial measurements done by the retirement systems. Additional information can be found in Note 10 and 11.

A portion of the Educational Service District's net position, \$203,096, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position is a deficit \$9,875,301.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2020 and comparisons to fiscal year 2019.

Table 2
Changes in Net Position

	Governmental Activities		
	2020	2019	Change
<i>Revenues:</i>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$8,465,539	\$8,114,522	\$351,017
Operating Grants and Contributions	2,063,239	2,493,737	(430,498)
<i>General Revenues:</i>			
Unrestricted Grants and Entitlements	290,550	312,936	(22,386)
Investment Earnings	138,394	115,030	23,364
Miscellaneous	165,881	158,787	7,094
Insurance Recoveries	0	5,490	(5,490)
Total Revenues	11,123,603	11,200,502	(76,899)
<i>Expenses:</i>			
<i>Instruction:</i>			
Regular	\$316,208	\$200,944	\$115,264
Special	6,540,379	5,123,391	1,416,988
Other	0	11,711	(11,711)
<i>Support Services:</i>			
Pupils	1,789,153	1,215,497	573,656
Instructional Staff	2,698,144	2,321,462	376,682
Board of Education	71,556	65,049	6,507
Administration	542,818	384,385	158,433
Fiscal	333,479	262,781	70,698
Operation and Maintenance of Plant	121,881	144,819	(22,938)
Central	113,623	118,522	(4,899)
Operation of Non-Instructional Services	0	10,607	(10,607)
Total Expenses	12,527,241	9,859,168	2,668,073
Change in Net Position	(1,403,638)	1,341,334	(2,744,972)
Net Position at Beginning of Year	(8,233,989)	(9,575,323)	1,341,334
Net Position at End of Year	(\$9,637,627)	(\$8,233,989)	(\$1,403,638)

Governmental Activities

Net Position of the Educational Service District's governmental activities decreased \$1,403,638. Total governmental expenses of \$12,527,241 were offset by program revenues of \$10,528,778 and general revenues of \$594,825. Program revenues supported 84.05% of the total governmental expenses.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 75.81% of total governmental revenue. The largest expense of the Educational Service District is for instructional programs. Instructional expenses totaled \$6,856,587 or 54.73% of total governmental expenses for fiscal year 2020. While support services expenses totaled \$5,670,654 or 45.27% of total governmental expenses.

The total expenses for governmental activities increased \$2,668,073 or 27.06 percent. The large increase in expenses is the result of the retirement systems calculations for net pension and net OPEB liabilities.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2020 and 2019. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

Table 3

	Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2020	2020	2019	2019
<i>Program Expenses:</i>				
<i>Instruction:</i>				
Regular	\$316,208	(\$204,679)	\$200,944	(\$103,276)
Special	6,540,379	(1,629,878)	5,123,391	(105,554)
Other	0	0	11,711	(11,711)
<i>Support Services:</i>				
Pupils	1,789,153	(492,139)	1,215,497	(144,217)
Instructional Staff	2,698,144	677,726	2,321,462	1,311,281
Board of Education	71,556	(71,556)	65,049	(65,049)
Administration	542,818	(62,760)	384,385	8,390
Fiscal	333,479	(87,066)	262,781	(15,066)
Operation and Maintenance of Plant	121,881	(14,488)	144,819	(9,463)
Central	113,623	(113,623)	118,522	(118,522)
Operation of Non-Instructional Services	0	0	10,607	2,278
Total Expenses	<u>\$12,527,241</u>	<u>(\$1,998,463)</u>	<u>\$9,859,168</u>	<u>\$749,091</u>

For all governmental activities, program revenue support is 84.39% and 107.60% at June 30, 2020 and 2019 respectively, of total governmental activities expenses. The Educational Service District's charges for services and operating grants and contributions, as a whole, are by far the primary support for Educational Service District's programs and services provided.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

Fund Balances

The Educational Service District's governmental funds reported a combined fund balance of \$4,017,402 which is less than the previous fiscal year's fund balance of \$4,100,551. The schedule below indicates the total change in fund balance as of June 30, 2020 and 2019.

	Fund Balance/(Deficit) June 30, 2020	Fund Balance/(Deficit) June 30, 2019	Increase (Decrease)	Increase (Decrease)
General	\$3,847,189	\$3,923,782	(\$76,593)	(1.95%)
IDEA Part B	(4,477)	(12,171)	7,694	63.22%
Other Governmental	174,690	188,940	(14,250)	(26.60%)
Total	<u>\$4,017,402</u>	<u>\$4,100,551</u>	<u>(\$83,149)</u>	<u>(2.91%)</u>

General Fund

The Educational Service District's General fund balance decreased \$76,593.

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

	2020 Amount	2019 Amount	Increase (Decrease)	Increase (Decrease)
Revenues:				
Tuition	\$7,664,128	\$6,733,990	\$930,138	13.81%
Charges for Services	472,834	811,948	(339,114)	(41.77)
Interest	138,394	115,030	23,364	20.31
Intergovernmental	345,537	834,400	(488,863)	(58.59)
All Other Revenues	156,280	156,920	(640)	(0.41)
Total:	<u>\$8,777,173</u>	<u>\$8,652,288</u>	<u>\$124,885</u>	<u>1.44%</u>
Expenditures:				
Instruction	\$5,586,841	\$5,352,239	\$234,602	4.38%
Support Services	3,266,925	2,993,017	273,908	9.15%
Total:	<u>\$8,853,766</u>	<u>\$8,345,256</u>	<u>\$508,510</u>	<u>6.09%</u>

Revenues of the General Fund increased \$128,244 or 1.44%. Tuition revenues increased \$930,138 or 13.81%. This increase is primarily due to an increase in tuition charges received for students.

Expenditures of the General Fund increased \$508,510 or 6.09%. This increase is primarily due to an increase in Support Services expenditures of \$273,908 or 9.15%.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)*

IDEA Part B Fund

The IDEA Part B fund had \$1,255,383 in revenues and \$1,247,689 in expenditures. During fiscal year 2020, the IDEA Part B fund balance increased \$7,694 from a deficit of \$12,171 to a deficit of \$4,477. The increase is due to revenues exceeding expenditures for fiscal 2020.

Capital Assets

At the June 30, 2020, the Educational Service District had \$54,722 invested in furniture and equipment and educational media. This entire amount is reported in governmental activities. The following table shows June 30, 2020 balances compared to June 30, 2019.

Table 4
Capital Assets & Accumulated Depreciation at Year End

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<i>Depreciable Capital Assets:</i>		
Furniture, Fixtures and Equipment	<u>54,722</u>	<u>73,072</u>
Capital Assets, Net	<u>\$54,722</u>	<u>\$73,072</u>

The overall decrease in capital assets of \$18,305 is due to current year depreciation exceeding capital asset additions during fiscal year 2020. See Note 8 to the basic financial statements for additional information on the Educational Service District's capital assets.

Current Financial Related Activities

The Educational Service District is financially solvent. As the preceding information shows, the Educational Service District relies heavily on contracts with local and city school districts in Ross and Pike Counties, as well as State foundation revenue and grants. The contracts with our local and city school districts, and providing the fiscal and administrative role to several entities, the Educational Service District will be able to provide the necessary funds to meet operating expenses in the future.

Contacting the Educational Service District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service District's finances and to show the Educational Service District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Erin Kirby, Treasurer, Ross-Pike Educational Service District, 475 Western Ave., Suite E, Chillicothe, OH.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$4,459,278
Accrued Interest Receivable	9,242
Accounts Receivable	11,405
Intergovernmental Receivable	887,634
Net OPEB Asset	661,630
Depreciable Capital Assets, Net	<u>54,722</u>
<i>Total Assets</i>	<u>6,083,911</u>
<u>Deferred Outflows of Resources:</u>	
Pensions	2,738,659
OPEB	<u>702,454</u>
<i>Total Deferred Outflows of Resources</i>	<u>3,441,113</u>
<u>Liabilities:</u>	
Accounts Payable	2,033
Accrued Wages and Benefits	934,139
Intergovernmental Payable	221,731
Contracts Payable	35,666
Matured Compensated Absences Payable	14,321
Claims Payable	4,782
Long-Term Liabilities:	
Due within One Year	38,277
Due in More Than One Year:	
Net Pension Liability	13,400,192
Net OPEB Liability	1,969,613
Other Amounts Due in More Than One Year	<u>296,483</u>
<i>Total Liabilities</i>	<u>16,917,237</u>
<u>Deferred Inflows of Resources:</u>	
Pensions	894,295
OPEB	<u>1,351,119</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,245,414</u>
<u>Net Position:</u>	
Investment in Capital Assets	54,722
Restricted for:	
Other Purposes	182,952
Unrestricted (Deficit)	<u>(9,875,301)</u>
<i>Total Net Position</i>	<u><u>(\$9,637,627)</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Expenses</u>			
<u>Governmental Activities:</u>			
<i>Instruction:</i>			
Regular	\$316,208	\$0	\$111,529
Special	6,540,379	4,695,160	215,341
<i>Support Services:</i>			
Pupils	1,789,153	1,210,589	86,425
Instructional Staff	2,698,144	1,825,636	1,550,234
Board of Education	71,556	0	0
Administration	542,818	426,066	53,992
Fiscal	333,479	225,637	20,776
Operation and Maintenance of Plant	121,881	82,451	24,942
Central	113,623	0	0
<i>Total Governmental Activities</i>	<u>\$12,527,241</u>	<u>\$8,465,539</u>	<u>\$2,063,239</u>
<u>General Revenues:</u>			
			290,550
Grants and Entitlements not Restricted to Specific Programs			138,394
Investment Earnings			165,881
Miscellaneous			
<i>Total General Revenues</i>			<u>594,825</u>
Change in Net Position			(1,403,638)
<i>Net Position at Beginning of Year</i>			<u>(8,233,989)</u>
<i>Net Position at End of Year</i>			<u><u>(\$9,637,627)</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2020*

	<u>General</u>	<u>IDEA Part B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Investments	\$4,164,290	\$0	\$171,359	\$4,335,649
Accrued Interest Receivable	9,242	0	0	9,242
Accounts Receivable	0	0	11,405	11,405
Interfund Receivable	110,402	0	0	110,402
Intergovernmental Receivable	<u>577,667</u>	<u>164,032</u>	<u>145,935</u>	<u>887,634</u>
<i>Total Assets</i>	<u>\$4,861,601</u>	<u>\$164,032</u>	<u>\$328,699</u>	<u>\$5,354,332</u>
<u>Liabilities:</u>				
Accounts Payable	\$507	\$101	\$1,425	\$2,033
Accrued Wages and Benefits	778,130	81,271	74,738	934,139
Contracts Payable	33,713	1,953	0	35,666
Interfund Payable	0	62,003	48,399	110,402
Intergovernmental Payable	186,585	21,332	13,814	221,731
Matured Compensated Absences Payable	<u>14,321</u>	<u>0</u>	<u>0</u>	<u>14,321</u>
<i>Total Liabilities</i>	<u>1,013,256</u>	<u>166,660</u>	<u>138,376</u>	<u>1,318,292</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable Revenue	<u>1,156</u>	<u>1,849</u>	<u>15,633</u>	<u>18,638</u>
<u>Fund Balances:</u>				
Restricted	0	0	176,246	176,246
Committed	126,737	0	0	126,737
Assigned	7,148	0	0	7,148
Unassigned	<u>3,713,304</u>	<u>(4,477)</u>	<u>(1,556)</u>	<u>3,707,271</u>
<i>Total Fund Balances</i>	<u>3,847,189</u>	<u>(4,477)</u>	<u>174,690</u>	<u>4,017,402</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,861,601</u>	<u>\$164,032</u>	<u>\$328,699</u>	<u>\$5,354,332</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2020*

Total Governmental Funds Balances	\$4,017,402
<i>Amounts reported for governmental activities in 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.	54,722
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Intergovernmental Receivable	18,638
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(334,760)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	2,738,659
Deferred Outflows - OPEB	702,454
Net OPEB Asset	661,630
Net Pension Liability	(13,400,192)
Net OPEB Liability	(1,969,613)
Deferred Inflows - Pension	(894,295)
Deferred Inflows - OPEB	<u>(1,351,119)</u>
Total	(13,512,476)
Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	<u>118,847</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$9,637,627)</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	IDEA Part B	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Intergovernmental	\$345,537	\$1,255,383	\$827,091	\$2,428,011
Interest	138,394	0	0	138,394
Tuition and Fees	7,664,128	0	276,907	7,941,035
Contributions and Donations	1,600	0	4,825	6,425
Customer Sales and Services	472,834	0	51,670	524,504
Miscellaneous	154,680	0	11,201	165,881
<i>Total Revenues</i>	<u>8,777,173</u>	<u>1,255,383</u>	<u>1,171,694</u>	<u>11,204,250</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	163,747	0	130,087	293,834
Special	5,423,094	0	428,481	5,851,575
<i>Support Services:</i>				
Pupils	1,499,300	0	93,242	1,592,542
Instructional Staff	847,103	1,177,799	405,098	2,430,000
Board of Education	71,560	0	0	71,560
Administration	368,007	31,650	120,964	520,621
Fiscal	277,057	15,006	8,072	300,135
Operation and Maintenance of Plant	98,647	23,234	0	121,881
Central	105,251	0	0	105,251
<i>Total Expenditures</i>	<u>8,853,766</u>	<u>1,247,689</u>	<u>1,185,944</u>	<u>11,287,399</u>
<i>Net Change in Fund Balances</i>	(76,593)	7,694	(14,250)	(83,149)
<i>Fund Balances at Beginning of Year</i>	<u>3,923,782</u>	<u>(12,171)</u>	<u>188,940</u>	<u>4,100,551</u>
<i>Fund Balances at End of Year</i>	<u>\$3,847,189</u>	<u>(\$4,477)</u>	<u>\$174,690</u>	<u>\$4,017,402</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*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 (\$83,149)

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	8,554	
Current Year Depreciation	<u>(26,375)</u>	
Total		(17,821)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (484)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:
Intergovernmental revenue (80,647)

Some expenses reported in the Statement of Activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (61,703)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows. 1,134,178

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities. (2,296,459)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the Statement of Activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. 2,447

Change in Net Position of Governmental Activities (\$1,403,638)

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Fund Net Position

Proprietary Fund

June 30, 2020

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	<u>\$123,629</u>
<i>Total Assets</i>	<u>123,629</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>4,782</u>
<i>Total Liabilities</i>	<u>4,782</u>
<u>Net Position:</u>	
Unrestricted	<u>118,847</u>
<i>Total Net Position</i>	<u>\$118,847</u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities
	Internal Service
<u>Operating Revenues:</u>	
Charges for Services	\$71,748
<i>Total Operating Revenues</i>	71,748
<u>Operating Expenses:</u>	
Claims	69,301
<i>Total Operating Expenses</i>	69,301
<i>Operating Loss/Change in Net Position</i>	2,447
<i>Net Position at Beginning of Year</i>	116,400
<i>Net Position at End of Year</i>	\$118,847

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$71,748
Cash Payments for Claims	<u>(70,617)</u>
<i>Net Cash from Operating Activities</i>	<u>1,131</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	1,131
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>122,498</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$123,629</u></u>
<u>Reconciliation of Operating Loss to Net Cash from Operating Activities:</u>	
Operating Loss	\$2,447
<u>Changes in Liabilities:</u>	
Decrease in Claims Payable	<u>(1,316)</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$1,131</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2020

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	<u>\$9,391</u>
<i>Total Assets</i>	<u><u>\$9,391</u></u>
<u>Liabilities:</u>	
Accounts Payable	\$255
Undistributed Monies	<u>9,136</u>
<i>Total Liabilities</i>	<u><u>\$9,391</u></u>

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE DISTRICT AND REPORTING ENTITY

Description of the Educational Service District

The Ross-Pike Educational Service District (the “Educational Service District”) is located in Chillicothe, Ohio, the county seat. The Educational Service District is a government resulting from a consolidation of the former Ross County Educational Service District and the former Pike County Educational Service District. The Educational Service District began operations on July 1, 1999. The Educational Service District supplies supervisory, special education, administrative, and other services to the Union-Scioto, Adena, Zane Trace, Southeastern, Huntington, Western, Eastern, Scioto Valley (Pike) and Paint Valley Local School Districts and the Waverly City School District. The Educational Service District furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Ross-Pike Educational Service District operates under a locally-elected Board form of government consisting of five members from Ross County, plus four Board members from the Pike County Joint Vocational school, who are elected for staggered four-year terms and two members that are appointed by the nine elected Board members. The Educational Service District has 142 support staff employees and 85 certified teaching and supervisory personnel that provides services to the local and city school districts and the career technology Districts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Educational Service District 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 more significant of the Educational Service District's 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.*” The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service District consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service District. For Ross-Pike Educational Service District, this includes general operations and student related activities.

Component units are legally separate organizations for which the Educational Service District is financially accountable. The Educational Service District is financially accountable for an organization if the Educational Service District appoints a voting majority of the organization's governing board and (1) the Educational Service District is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service District is legally entitled to or can otherwise access the organization's resources; or (3) the Educational Service District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Educational Service District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service District in that the Educational Service District approves the budget, the issuance of debt, or the levying of taxes. The Educational Service District has no component units.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Jointly Governed Organizations

META Solutions

META Solutions is a jointly governed organization as a regional council of governments pursuant to State statutes. META Solutions develops, implements, and supports the technology and instructional needs of member districts including financial accounting services, educational management information services, and cooperative purchasing services. META Solutions membership consists of 152 public schools, 11 educational service centers, 15 career technology centers, and more than 200 non-public chartered schools. Non-public charter schools are not members but receive services based on contractual agreements and are not eligible for seats on the board of directors. Each member district pays an annual fee for services provided by META Solutions. META Solutions is governed by an 11-member board of directors made up of Superintendents and School Business Officials selected from the 178 member public school districts. The board of directors controls the budget and finances of META Solutions. The continued existence of META Solutions is not dependent on the District's continued participation and no equity interest exists. Financial statements for META Solutions can be obtained from the META Solutions office, 2100 Citygate Drive, Columbus, Ohio 43219. The District made payments of \$40,703 to META Solutions for fiscal year 2020.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, and the Educational Service District, each of which possesses its own budgeting and taxing authority. During fiscal year 2020, the Educational Service District paid \$150 to the Pickaway-Ross Career and Technology Center. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Todd Starr, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Insurance Purchasing Pools

Workers' Compensation Group Rating Program

The Educational Service District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service District by virtue of its grouping and representation with other participants in the GRP. The Educational Service District pays a fee to the GRP to cover the costs of administering the program.

Ohio School Plan

For Members with Ohio Plan policies renewing after November 1, 2005.

Risk Pool Membership

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator’s legal liability, automobile and violence coverage’s, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan’s paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan’s audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2019 and 2018 (the latest information available):

	<u>2019</u>	<u>2018</u>
Assets	\$12,967,922	\$12,764,109
Liabilities	<u>(4,843,762)</u>	<u>(4,451,197)</u>
Members Equity	<u>\$8,124,160</u>	<u>\$8,312,912</u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan’s website, www.ohioschoolplan.org.

Ross County School Employees Insurance Consortium

The Ross County School Employees Insurance Consortium (the “Consortium”), a shared risk-pool, currently operates to provide medical insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the Education Service District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

B. Basis of Presentation

The Educational Service District’s basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Educational Service District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the Educational Service District that are governmental and those that are considered business-type activities. The Educational Service District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the Educational Service District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Educational Service District.

Fund Financial Statements

During the year, the Educational Service District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented on the face of the proprietary statements. Fiduciary funds are reported by type.

C. Fund Accounting

The Educational Service District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the Educational Service District can be classified using three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Educational Service District are financed. Governmental funds focus 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, liabilities and deferred inflows is reported as fund balance.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

The following are the Educational Service District's major governmental funds:

General Fund - This fund is the operating fund of the Educational Service District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the Educational Service District for any purpose provided it is expended or transferred according to the general laws of Ohio.

IDEA Part B Fund - This fund is used to account for and report receipts and expenditures associated with providing public education to children with disabilities.

Proprietary Fund

Proprietary funds are used to account for the Educational Service District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds; the Educational Service District has no enterprise funds.

Internal Service Fund - This fund is used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the Educational Service District, or to other governments, on a cost-reimbursement basis. The Educational Service District's only internal service fund accounts for the self-insurance program for employee dental and vision claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The Educational Service District's only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service District's agency funds account for virtual learning programs and a district agency fund.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Educational Service District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows provides information about how the Educational Service District finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary fund and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 Educational Service District, available means expected to be received within sixty days of fiscal year-end.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: grants, interest, contractual service fees and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes 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 Educational Service District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension/OPEB. The deferred outflows of resources related to pension/OPEB are explained in Notes 10 and 11.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

In addition to the liabilities, the Statement of Net Position 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 until that time. For the Educational Service District, deferred inflows of resources include pension, OPEB and 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 Educational Service District unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide Statement of Net Position. (See Notes 10 and 11)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the costs of accumulated unpaid vacation, personal leave and sick leave. They are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

F. Budgetary Process

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

In fiscal year 2004, the Educational Service District's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service District was discretionary, the Educational Service District continued to have its Board approve appropriations. The Educational Service District's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board.

The level of control has been established by the Board at the fund level for all funds. Budgetary information for the General fund and the IDEA Part B fund have been presented as supplementary information to the basic financial statements.

G. Equity in Pooled Cash and Investments

To improve cash management, all cash received by the Educational Service District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Educational Service District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

During fiscal year 2020, investments were limited to Federal Agency Securities, U.S. Government money market account, State Treasury Asset Reserve of Ohio (STAROhio) and certificates of deposit. Except for nonparticipating investment contracts, investments are recorded at fair value. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The Educational Service Center has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” Investments in STAROhio are valued at the net asset value per share provided by STAROhio on an amortized cost basis at June 30, 2020. Nonparticipating investment contracts are reported at cost.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Educational Service District has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2020 amounted to \$138,394, which includes \$19,377 assigned from other Educational Service District funds.

H. Capital Assets and Depreciation

All capital assets of the Educational Service District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition cost as of the date received. The Educational Service District maintains a capitalization threshold of five hundred dollars. The Educational Service District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Estimated Lives
Furniture	10 - 20 years
Educational Media	3 - 6 years
Computers and Equipment	4 - 6 years

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service at age 50 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 the balance sheet date, and reduced to the maximum, payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

J. Accrued Liabilities and Long-Term Liabilities

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

K. Pensions

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term Interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “Interfund payables and receivables”. These amounts are eliminated in the governmental-type activities columns on the Statement of Net Position.

M. 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 financial statements. Interfund transfers within governmental activities are eliminated in the Statement of Activities.

N. Net Position

Net Position represents the difference between assets and liabilities and deferred outflows/inflows. Investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Educational Service District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balance

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

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation (Educational Service District resolutions); or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Enabling legislation authorized the Educational Service District to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Educational Service District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the Educational Service District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the Educational Service District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Educational Service District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the Educational Service District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

P. Estimates

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Educational Service District, these revenues are charges for services for life and dental benefits provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. Non-operating revenues and expenses are those that are not generated directly by the Educational Service District’s primary mission. The Educational Service District did not report non-operating revenues or expenses for fiscal year 2020.

NOTE 3 - NEW GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2019, and later.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 3 - NEW GASB PRONOUNCEMENTS AND PRIOR PERIOD ADJUSTMENT - (Continued)

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

NOTE 4 – ACCOUNTABILITY

Deficit Balances

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

<u>Fund</u>	<u>Deficit</u>
IDEA Part B	\$4,477
<i>Nonmajor Special Revenue Funds:</i>	
Miscellaneous State Grants	1,556
Miscellaneous Federal Grants	15,589

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

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Educational Service District 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 Educational Service District 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 be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 fair value 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 division (1) or (2) of this section, 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 (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service District, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the Educational Service District had \$25 in undeposited cash on hand which is included on the financial statements of the Educational Service District as part of "equity in pooled cash and investments."

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the Educational Service District may not be able to recover deposits on collateral securities that are the possession of an outside party. As of June 30, 2020, all of the Educational Service District's bank balance of \$972,472 was either covered by Federal Deposit Insurance or collateral was held by the pledging banks trust department not in the Educational Service District's name.

The Educational Service District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Both of the Educational Service District's financial institutions are enrolled in the OPCS.

C. Investments

As of June 30, 2020, the Educational Service District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
STAR Ohio	\$903,779	\$903,779	\$0	\$0	\$0	\$0
FFCB	300,062	0	0	0	0	300,062
FHLMC	235,008	0	0	0	0	235,008
FNMA	99,895	0	0	0	0	99,895
Negotiable CDs	1,500,040	100,708	0	288,617	542,807	567,908
U.S. Treasury Bills	149,775	0	149,775	0	0	0
U.S. Treasury Notes	478,814	0	342,337	136,477	0	0
U.S. Government Money Market	10,682	10,682	0	0	0	0
Total	<u>\$3,678,055</u>	<u>\$1,015,169</u>	<u>\$492,112</u>	<u>\$425,094</u>	<u>\$542,807</u>	<u>\$1,202,873</u>

The Educational Service District has categorized 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. The above chart identifies the Educational Service District's recurring fair value measurements as of June 30, 2020.

All of the Educational Service District's investments are valued using pricing sources as provided by the investments managers (Level 2 inputs)

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Educational Service District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Educational Service District's investment policy does not address credit risk. Standard and Poor's has assigned the Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation a rating of "AA+". STAR Ohio, U.S. Treasury Bills, U.S. Treasury Notes, and U.S. money market are rated AAAM. Credit ratings for negotiable CDs are not readily available.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the Educational Service District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Educational Service District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the Educational Service District or not.

Concentration of Credit Risk: The Educational Service District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Educational Service District at June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$903,779	24.57%
FFCB	300,062	8.16%
FHLMC	235,008	6.39%
FNMA	99,895	2.72%
Negotiable CDs	1,500,040	40.78%
U.S. Treasury Bills	149,775	4.07%
U.S. Treasury Notes	478,814	13.02%
U.S. Government Money Market	10,682	0.29%
Total	<u>\$3,678,055</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the Statement of Net Position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposit	\$790,589
Investments	3,678,055
Cash on hand	<u>25</u>
Total	<u>\$4,468,669</u>
 <u>Cash and investments per statement of net position</u>	
Governmental Activities	\$4,459,278
Fiduciary Fund	<u>9,391</u>
Total	<u>\$4,468,669</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 6 – INTERFUND TRANSACTIONS

Interfund receivables and payables consisted of the following at June 30, 2020:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$110,402	\$0
IDEA Part B		62,003
<i>Nonmajor Special Revenue Funds:</i>		
Preschool Expansion Grant	0	22,486
Miscellaneous State Grants	0	5,845
Preschool Grant	0	4,485
Miscellaneous Federal Grants	0	15,583
Total Non-Major Funds	<u>0</u>	<u>48,399</u>
Total	<u>\$110,402</u>	<u>\$110,402</u>

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020 consist of accounts, intergovernmental and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

<u>Governmental Activities:</u>	
Accounts	\$11,405
Intergovernmental	887,634
Accrued Interest	<u>9,242</u>
Total	<u>\$908,281</u>

All receivables are expected to be collected within the subsequent year.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 8 - CAPITAL ASSETS

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

<u>Asset Category</u>	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2020</u>
<i>Depreciable Capital Assets:</i>				
Furniture, Fixtures and Equipment	\$398,595	8,554	(6,462)	400,687
Educational Media	<u>861</u>	<u>0</u>	<u>0</u>	<u>861</u>
Total Depreciable Capital Assets	<u>399,456</u>	<u>8,554</u>	<u>(6,462)</u>	<u>401,548</u>
<i>Accumulated Depreciation:</i>				
Furniture, Fixtures and Equipment	(325,568)	(26,375)	5,978	(345,965)
Educational Media	<u>(861)</u>	<u>0</u>	<u>0</u>	<u>(861)</u>
Total Accumulated Depreciation	<u>(326,429)</u>	<u>(26,375)</u>	<u>5,978</u>	<u>(346,826)</u>
Total Net Capital Assets	<u><u>\$73,027</u></u>	<u><u>(\$17,821)</u></u>	<u><u>(\$484)</u></u>	<u><u>\$54,722</u></u>

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Special	\$4,723
<i>Support Services:</i>	
Pupils	12,648
Instructional Staff	4,957
Administration	<u>4,047</u>
Total Depreciation Expense	<u><u>\$26,375</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property

The Educational Service District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the Educational Service District contracted through the Ohio School Plan for property insurance. Coverage's provided are as follows:

Building and Contents-Replacement cost (\$1,000 deductible)	\$1,478,816
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Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

The Educational Service District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to 304 Ohio schools ("Members").

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 9 - RISK MANAGEMENT- (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator’s legal liability, automobile and violence coverage, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first \$1 million layer of casualty reinsurance. The corridor includes losses paid between 65% and 80% of premiums earned under this treaty. If the Plan’s paid loss ratio reaches 65%, the plan would pay all the losses incurred related to this treaty up to the next 15% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 80% is exceeded. Effective November 1, 2009, the Plan’s loss corridor includes losses paid between 80% and 85% of the premiums earned under this treaty. Effective July 1, 2010, the Plan retained 100% of the first \$150,000 layer of property. The Plan’s annual loss aggregate under this property treaty is \$1.5 million effective July 1, 2011. Effective July 1, 2012, the plan’s annual loss aggregate under this property treaty is \$1.75 million (See the Plan’s audited financial statements on the website for more details). The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

B. Risk Pool Membership

In the event that the reinsurance company should be unable to meet their obligations under the existing reinsurance agreements, the Plan would be liable for such defaulted amounts. Conversely, should the Plan be unable to meet its obligations, amounts due the Plan under the reinsurance contracts shall be payable by the reinsurers on the basis of the liability of the Plan under the original Plan policies reinsured without dilution. The Plan evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

The Plan’s audited financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and net assets at December 31, 2019 and 2018 (the latest information available):

	<u>2019</u>	<u>2018</u>
Assets	\$12,967,922	\$12,764,109
Liabilities	<u>(4,843,762)</u>	<u>(4,451,197)</u>
Net Assets	<u>\$8,124,160</u>	<u>\$8,312,912</u>

You can read the complete audited financial statements for the Ohio School Plan at the Plan’s website, www.ohioschoolplan.org.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 9 - RISK MANAGEMENT- (Continued)

C. OASBO Workers' Compensation Group Rating Plan

For fiscal year 2020, the Educational Service District participated in the Ohio School Boards Association Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2 A). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Inc. provides administrative, cost control and actuarial services to the GRP.

D. Employee Medical/Dental/Vision Benefits

The Educational Service District is a member of the Ross County Insurance Consortium, a public entity shared risk pool consisting of school districts within the County offering medical, dental and vision insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the Educational Service District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

The Educational Service District is self-insured for dental and vision insurance through Professional Risk Management, a Medical Mutual Health Company. The claims liability of \$4,782 reported in the Internal Service Fund at June 30, 2020 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Premiums are paid from the same funds that pay the employees' salaries.

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2019	\$5,980	\$69,490	\$69,372	\$6,098
2020	6,098	69,301	70,617	4,782

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the Educational Service District'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/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 this estimate annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

Plan Description - Educational Service Employees Retirement System (SERS)

Plan Description – Educational Service District non-teaching employees participate in SERS, a statewide, 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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The Educational Service District's contractually required contribution to SERS was \$396,671 for fiscal year 2020. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The Educational Service District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Educational Service District's contractually required contribution to STRS was \$686,135 for fiscal year 2020. Of this amount, \$110,226 is reported as an intergovernmental payable.

Net Pension Liability, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. The Educational Service District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Proportion of the Net Pension Liability:</i>			
Current Measurement Date	0.07631390%	0.03994772%	
Prior Measurement Date	0.07087050%	0.04083436%	
Change in Proportionate Share	<u>0.00544340%</u>	<u>-0.00088664%</u>	
Proportionate Share of the Net Pension Liability	\$4,565,994	\$8,834,198	\$13,400,192
Pension Expense	\$1,217,617	\$1,149,969	\$2,367,586

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the Educational Service District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$115,785	\$71,925	\$187,710
Changes of Assumptions	0	1,037,746	1,037,746
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	382,287	48,110	430,397
Contributions Subsequent to the Measurement Date	<u>396,671</u>	<u>686,135</u>	<u>1,082,806</u>
Total Deferred Outflows of Resources	<u><u>\$894,743</u></u>	<u><u>\$1,843,916</u></u>	<u><u>\$2,738,659</u></u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$0	\$38,241	\$38,241
Net Difference between Projected and Actual Earnings on Pension Plan Investments	58,611	431,768	490,379
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	<u>0</u>	<u>365,675</u>	<u>365,675</u>
Total Deferred Inflows of Resources	<u><u>\$58,611</u></u>	<u><u>\$835,684</u></u>	<u><u>\$894,295</u></u>

\$1,082,806 reported as deferred outflows of resources related to pension resulting from Educational Service District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal 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	\$450,976	\$443,825	\$894,801
2022	(40,853)	(44,790)	(85,643)
2023	(3,901)	(96,712)	(100,613)
2024	<u>33,239</u>	<u>19,774</u>	<u>53,013</u>
	<u><u>\$439,461</u></u>	<u><u>\$322,097</u></u>	<u><u>\$761,558</u></u>

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 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. Future benefits for all current plan members were projected through 2035.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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

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

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted 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 asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

<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>	

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Educational Service District's Proportionate Share of the Net Pension Liability	\$6,398,591	\$4,565,994	\$3,029,133

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:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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

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:

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

<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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

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

**Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the 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 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' 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 investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the Educational Service District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the Educational Service District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Educational Service District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Educational Service District's Proportionate Share of the Net Pension Liability	\$12,910,196	\$8,834,198	\$5,383,657

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the Educational Service District's surcharge obligation was \$51,372, which is reported as an intergovernmental payable.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Educational Service District's proportion of the net OPEB liability (asset) was based on the Educational Service District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Proportion of the Net OPEB Liability:</i>			
Current Measurement Date	0.07832120%	0.03994772%	
Prior Measurement Date	<u>0.07168120%</u>	<u>0.04083436%</u>	
Change in Proportionate Share	<u>0.00664000%</u>	<u>-0.00088664%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$1,969,613	(\$661,630)	\$1,307,983
OPEB Expense (Gain)	\$133,592	(\$204,719)	(\$71,127)

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$28,912	\$59,983	\$88,895
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,729	0	4,729
Changes of Assumptions	143,858	13,907	157,765
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	399,693	0	399,693
Contributions Subsequent to the Measurement Date	<u>51,372</u>	<u>0</u>	<u>51,372</u>
Total Deferred Outflows of Resources	<u>\$628,564</u>	<u>\$73,890</u>	<u>\$702,454</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$432,710	\$33,662	\$466,372
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	41,554	41,554
Changes of Assumptions	110,372	725,401	835,773
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	<u>0</u>	<u>7,420</u>	<u>7,420</u>
Total Deferred Inflows of Resources	<u>\$543,082</u>	<u>\$808,037</u>	<u>\$1,351,119</u>

\$51,372 reported as deferred outflows of resources related to OPEB resulting from Educational Service District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(\$30,297)	(\$160,091)	(\$190,388)
2022	24,630	(160,090)	(135,460)
2023	26,015	(144,364)	(118,349)
2024	25,792	(134,197)	(108,405)
2025	(2,204)	(134,991)	(137,195)
Thereafter	<u>(9,826)</u>	<u>(414)</u>	<u>(10,240)</u>
	<u>\$34,110</u>	<u>(\$734,147)</u>	<u>(\$700,037)</u>

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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. 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.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - 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:

<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 discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

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

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Educational Service District's Proportionate Share of the Net OPEB Liability	\$2,390,737	\$1,969,613	\$1,634,771

	Current		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Educational Service District's Proportionate Share of the Net OPEB Liability	\$1,578,059	\$1,969,613	\$2,489,111

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

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

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Sensitivity of the Educational Service District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate 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 percent, 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 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Educational Service District's Proportionate Share of the Net OPEB Asset	(\$564,570)	(\$661,630)	(\$743,235)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Educational Service District's Proportionate Share of the Net OPEB Asset	(\$750,258)	(\$661,630)	(\$553,082)

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board policy and State laws. Eligible classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit - a maximum of 45 days for all employees

B. Life Insurance

The Educational Service District provides life insurance to full time employees through Mutual of Omaha.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

NOTE 12 – EMPLOYEE BENEFITS - (Continued)

C. Deferred Compensation

The Educational Service District employees may participate in the Ohio Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

NOTE 13 - LONG-TERM LIABILITIES

The changes in the Educational Service District's long-term liabilities during fiscal year 2020 were as follows:

	Principal Outstanding at July 1, 2019	Additions	Deductions	Principal Outstanding at June 30, 2020	Amount Due In One Year
<i><u>Governmental Activities:</u></i>					
<i>Net Pension Liability:</i>					
STRS	\$8,978,559	\$0	\$144,361	\$8,834,198	\$0
SERS	4,058,885	507,109	0	4,565,994	0
Total Net Pension Liability	<u>13,037,444</u>	<u>507,109</u>	<u>144,361</u>	<u>13,400,192</u>	<u>0</u>
<i>Net OPEB Liability:</i>					
SERS	1,988,630	0	19,017	1,969,613	0
Total Net OPEB Liability	<u>1,988,630</u>	<u>0</u>	<u>19,017</u>	<u>1,969,613</u>	<u>0</u>
Compensated Absences	273,057	164,889	103,186	334,760	38,277
Total Governmental Activities Long-Term Obligations	<u>\$15,299,131</u>	<u>\$671,998</u>	<u>\$266,564</u>	<u>\$15,704,565</u>	<u>\$38,277</u>

The Educational Service District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the fund, from which the employees' salaries are paid, with the most significant fund being the General Fund.

NOTE 14 - CONTINGENCIES

Grants

The Educational Service District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms of conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service District at June 30, 2020.

Litigation

The Educational Service District is currently not party to any legal proceedings.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 15 – STATE FUNDING

The Educational Service District is funded by the State Board of Education from State Funds for the cost of Part (A) of the budget. Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the Educational Service District’s supervision) is apportioned by the State Board of Education from the local Educational Service districts to which the Educational Service District provides services from payments made under the State’s foundation program. Simultaneously, \$26 times the sum of the ADM is paid by the State Board of Education from State Funds to the Educational Service District.

NOTE 16 – OTHER COMMITMENTS

The Educational Service District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At June 30, 2020, the Educational Service District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>June 30, 2020 Commitments</u>
General	\$7,148
IDEA Part B	97,498
Other Governmental Funds	<u>70,981</u>
Total	<u>\$ 175,627</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 17 – FUND BALANCES

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

	General	IDEA Part B	Other Governmental Funds	Total Governmental Funds
<i>Restricted:</i>				
<i>Special Revenues:</i>				
Professional Development Grant	0	0	46,020	46,020
Alternative School	0	0	97,566	97,566
Preschool Expansion Grant	0	0	5,319	5,319
Preschool Grant	0	0	3,991	3,991
Federal Grants	0	0	23,350	23,350
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>176,246</u>	<u>176,246</u>
<i>Committed:</i>				
Termination Benefits	126,737	0	0	126,737
<i>Assigned:</i>				
<i>Encumbrances:</i>				
Instructional Staff	150	0	0	150
Operation of Non-Instructional	6,998	0	0	6,998
<i>Total Assigned</i>	<u>7,148</u>	<u>0</u>	<u>0</u>	<u>7,148</u>
<i>Unassigned (Deficit)</i>	<u>3,713,304</u>	<u>(4,477)</u>	<u>(1,556)</u>	<u>3,707,271</u>
Total Fund Balance	<u>\$3,847,189</u>	<u>(\$4,477)</u>	<u>\$174,690</u>	<u>\$4,017,402</u>

NOTE 18 – SUBSEQUENT EVENT

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 ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the Educational Service District. The Educational Service District's investment portfolio and the investments of the pension and other employee benefit plan in which the Educational Service District participates have incurred a significant fluctuation in fair value, consistent with the general fluctuation in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, due to the dynamic environment and changes in fiscal policies, the exact impact on the Educational Service District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			\$364,564	
Tuition			79,845	
Charges for Services			7,909,746	
Interest			1,600	
Gifts and Donations			535,656	
Miscellaneous			91,830	
<i>Total Revenues</i>			<u>8,983,241</u>	
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	155,112	158,980	158,072	908
Special	5,358,843	5,492,483	5,378,348	114,135
Other	16,691	17,107	0	17,107
<i>Support Services:</i>				
Pupils	1,399,627	1,434,531	1,443,219	(8,688)
Instructional Staff	889,084	911,256	862,967	48,289
Board of Education	96,445	98,850	71,477	27,373
Administration	358,568	367,510	320,289	47,221
Fiscal	259,099	265,560	275,748	(10,188)
Operation and Maintenance of Plant	132,691	136,000	105,381	30,619
Central	126,250	129,400	118,250	11,150
<i>Total Expenditures</i>	<u>8,792,410</u>	<u>9,011,677</u>	<u>8,733,751</u>	<u>277,926</u>
Net Change in Fund Balances			249,490	
<i>Fund Balance at Beginning of Year</i>			3,485,580	
<i>Prior Year Encumbrances Appropriated</i>			<u>28,637</u>	
<i>Fund Balance at End of Year</i>			<u><u>\$3,763,707</u></u>	

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
IDEA Part B Fund
For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental			\$1,209,319	
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Support Services:</i>				
Instructional Staff	930,379	1,322,775	1,292,647	30,128
Administration	36,926	52,500	31,623	20,877
Fiscal	10,555	15,006	15,006	0
Operation and Maintenance of Plant	24,617	35,000	23,066	11,934
<i>Total Expenditures</i>	<u>1,002,477</u>	<u>1,425,281</u>	<u>1,362,342</u>	<u>62,939</u>
Net Change in Fund Balances			(153,023)	
<i>Fund Balance at Beginning of Year</i>			(108,955)	
<i>Prior Year Encumbrances Appropriated</i>			<u>102,477</u>	
<i>Fund Balance at End of Year</i>			<u><u>(\$159,501)</u></u>	

See accompanying notes to the basic financial statements.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

*Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2020*

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

The Educational Service District is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service District’s Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board’s authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Budgetary Basis of Accounting

The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund and the IDEA Part B Special Revenue Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).
5. Certain funds are reported as part of the General fund on a GAAP basis, but are not reported as part of the General fund on the Budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and IDEA Part B Fund.

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>IDEA Part B</u>
GAAP Basis	(\$76,593)	\$7,694
<i>Adjustments:</i>		
Revenue Accruals	255,568	(46,064)
Expenditure Accruals	135,056	(17,155)
Encumbrances	(7,148)	(97,498)
<i>Prospective Difference:</i>		
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(57,393)</u>	<u>0</u>
Budget Basis	<u>\$249,490</u>	<u>(\$153,023)</u>

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of the Educational Service District's Proportionate Share of Net Pension Liability
Last Seven Measurement Periods (1)

	2019	2018	2017
<u>School Employees Retirement System of Ohio</u>			
Educational Service District's Proportion of the Net Pension Liability	0.07631390%	0.07087050%	0.05973810%
Educational Service District's Proportionate Share of the Net Pension Liability	\$4,565,994	\$4,058,885	\$3,569,220
Educational Service District's Covered Payroll	\$2,789,150	\$2,422,414	\$2,094,886
Educational Service District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	163.71%	167.56%	170.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%
<u>State Teachers Retirement System of Ohio</u>			
Educational Service District's Proportion of the Net Pension Liability	0.03994772%	0.04083436%	0.04091219%
Educational Service District's Proportionate Share of the Net Pension Liability	\$8,834,198	\$8,978,559	\$9,718,778
Educational Service District's Covered Payroll	\$4,733,379	\$4,654,871	\$4,549,257
Educational Service District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	186.64%	192.89%	213.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%

(1) Prior Years Information is Not Available.

Amounts presented as of the Educational Service District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2016	2015	2014	2013
0.05424830%	0.05227850%	0.05070100%	0.05070100%
\$3,970,475	\$2,983,062	\$2,565,949	\$3,015,026
\$2,224,393	\$1,822,140	\$1,724,776	\$1,504,610
178.50%	163.71%	148.77%	200.39%
62.98%	69.16%	71.70%	65.52%
0.04287690%	0.04205907%	0.04181549%	0.04181549%
\$14,352,191	\$11,623,897	\$10,170,974	\$12,115,598
\$4,572,693	\$4,572,714	\$4,765,100	\$3,428,454
313.87%	254.20%	213.45%	353.38%
66.80%	72.10%	74.70%	69.30%

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ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of the Educational Service District's Proportionate Share of Net OPEB Liability
Last Four Fiscal Years (1)

	2020	2019	2018	2017
<u>School Employees Retirement System of Ohio</u>				
Educational Service District's Proportion of the Net OPEB Liability	0.07832120%	0.07168120%	0.06069880%	0.06069880%
Educational Service District's Proportionate Share of the Net OPEB Liability	\$1,969,613	\$1,988,630	\$1,628,996	\$1,730,140
Educational Service District's Covered-Employee Payroll	\$2,833,364	\$2,789,150	\$2,422,414	\$2,094,886
Educational Service District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	69.52%	71.30%	67.25%	82.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<u>State Teachers Retirement System of Ohio</u>				
Educational Service District's Proportion of the Net OPEB Liability	0.03994772%	0.04083436%	0.04091219%	0.04091219%
Educational Service District's Proportionate Share of the Net OPEB Asset	\$661,630	\$656,167	\$0	\$0
Educational Service District's Proportionate Share of the Net OPEB Liability	\$0	\$0	\$1,596,243	\$2,187,995
Educational Service District's Covered-Employee Payroll	\$4,900,964	\$4,733,379	\$4,654,871	\$4,549,257
Educational Service District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of it's Covered-Employee Payroll	(13.50%)	(13.86%)	34.29%	48.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.74%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of the Educational Service District's Contributions
School Employees Retirement Systems of Ohio
Last Eight Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Pension</u>				
Contractually Required Contributions	\$396,671	\$376,535	\$327,026	\$293,284
Contributions in Relation to the Contractually Required Contributions	<u>(396,671)</u>	<u>(376,535)</u>	<u>(327,026)</u>	<u>(293,284)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service District Covered-Employee Payroll	\$2,833,364	\$2,789,150	\$2,422,414	\$2,094,886
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.50%	13.50%	14.00%
<u>OPEB</u>				
Contractually Required Contributions (2)	\$0	\$13,946	\$12,112	\$0
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>(13,946)</u>	<u>(12,112)</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service District Covered-Employee Payroll	\$2,833,364	\$2,789,150	\$2,422,414	\$2,094,886
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.50%	0.50%	0.00%

(1) Information prior to 2013 is not available.

(2) Excludes surcharge amounts.

Amounts presented as of the Educational Service District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2016	2015	2014	2013
\$311,415	\$240,158	\$239,054	\$208,238
(311,415)	(240,158)	(239,054)	(208,238)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,224,393	\$1,822,140	\$1,724,776	\$1,504,610
14.00%	13.18%	13.86%	13.84%
\$0	\$14,942	\$2,415	\$2,407
<u>0</u>	<u>(14,942)</u>	<u>(2,415)</u>	<u>(2,407)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,224,393	\$1,822,140	\$1,724,776	\$1,504,610
0.00%	0.82%	0.14%	0.16%

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
Schedule of the Educational Service District's Contributions
State Teachers Retirement System of Ohio
Last Eight Fiscal Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Pension</u>				
Contractually Required Contributions	\$686,135	\$662,673	\$651,682	\$636,896
Contributions in Relation to the Contractually Required Contributions	<u>(686,135)</u>	<u>(662,673)</u>	<u>(651,682)</u>	<u>(636,896)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service District Covered-Employee Payroll	\$4,900,964	\$4,733,379	\$4,654,871	\$4,549,257
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%
<u>OPEB</u>				
Contractually Required Contributions	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service District Covered-Employee Payroll	\$4,900,964	\$4,733,379	\$4,654,871	\$4,549,257
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the Educational Service District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2016	2015	2014	2013
\$640,177	\$640,180	\$619,463	\$445,699
<u>(640,177)</u>	<u>(640,180)</u>	<u>(619,463)</u>	<u>(445,699)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,572,693	\$4,572,714	\$4,765,100	\$3,428,454
14.00%	14.00%	13.00%	13.00%
\$0	\$0	\$44,247	\$34,285
<u>0</u>	<u>0</u>	<u>(44,247)</u>	<u>(34,285)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,572,693	\$4,572,714	\$4,765,100	\$3,428,454
0.00%	0.00%	0.93%	1.00%

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- 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.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - SERS

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

Note 2 - Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS

For fiscal year 2020, 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 percent to 1.984 percent 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 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

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**ROSS- PIKE EDUCATIONAL SERVICE DISTRICT
ROSS COUNTY**

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

FEDERAL GRANTOR	Federal	Pass Through	
<i>Pass Through Grantor</i>	CFDA	Entity Identifying	Total Federal
Program / Cluster Title	Number	Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States -2019	84.027	H027A150111	90,922
Special Education Grants to States -2020	84.027	H027A150111	1,094,579
Early Literacy SSIP-2020	84.027	H027A150111	5,694
Early Literacy SSIP-2019	84.027	H027A150111	73,650
Total Title VIB			1,264,845
Special Education- Preschool Grant- 2019	84.173	H173A150119	7,199
Special Education- Early Learning Grant- 2019	84.173	H173A150119	13,231
Special Education- Early Learning Grant- 2020	84.173	H173A150119	64,761
Early Literacy SSIP (ELSR)- 2019	84.173	H173A150119	2,600
Early Literacy SSIP (ELSR)- 2020	84.173	H173A150119	22,209
IDEA Early Shilhood Special Education	84.173	H173A150119	43,767
Total Early Learning			153,767
Total Special Education Cluster			1,418,612
Title I Grants to Local Educational Agencies	84.010	S010A150035	62,124
Priority Schools	84.010		8,646
Total Title I			70,770
Striving Readers- 2019	84.371		39,668
Striving Readers- 2020	84.371		107,680
Total Striving Readers			147,348
SDPG-2019	84.323		7,054
SDPG-2020	84.323		3,368
Total SDPG			10,422
Total U.S. Department of Education			1,647,152
Total Expenditures of Federal Awards			1,647,152

The accompanying notes are an integral part of this schedule.

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE 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 Ross Pike County Educational Service District (the District's) 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
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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*

Ross- Pike Educational Service District
Ross County
475 Western Avenue
Chillicothe, Ohio 45601

To the Board of Education:

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 Ross- Pike Educational Service District, Ross County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2021. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District'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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District'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 District'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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
February 1, 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

Ross- Pike Educational Service District
Ross County
475 Western Avenue
Chillicothe, Ohio 45601

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Ross- Pike Educational Service District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Ross- Pike Educational Service District'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 District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District'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 District'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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Ross- Pike Educational Service District 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 District'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 District'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 District'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
February 1, 2021

**ROSS-PIKE EDUCATIONAL SERVICE DISTRICT
ROSS 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 CFDA 84.027 and 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

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ROSS-PIKE

Educational Service District

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Posting issues	Partially Corrected	Reissued in Management Letter

OHIO AUDITOR OF STATE KEITH FABER



ROSS-PIKE EDUCATIONAL SERVICE DISTRICT

ROSS 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 2/18/2021

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

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