



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY
JUNE 30, 2020**

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CLINTON COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Road
Wilmington, Ohio 45177

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 18 to the financial statements for fiscal year ended June 30, 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Center. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 17, 2021

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**Southern Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

The discussion and analysis of Southern Ohio Educational Service Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position of governmental activities decreased \$599,083.
- General revenues accounted for \$737,600 in revenue or 16% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,792,818 or 84% of total revenues of \$4,530,418.
- The fund balance for the General Fund at the end of 2020 was \$2,904,434.

Overview of the Financial Statements

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

The *Statement of Net position* and *Statement of Activities* provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the Center.

Government-wide Financial Statements

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources* using the accrual basis of accounting 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 Center's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include facility conditions, required educational programs and other factors.

**Southern Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

In the Government-wide Financial Statements, the Center presents:

- Governmental Activities – Most of the Center's programs and services are reported here including instruction and support services.

Fund Financial Statements

The analysis of the Center's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the Center's major fund. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs.

The Center as a Whole

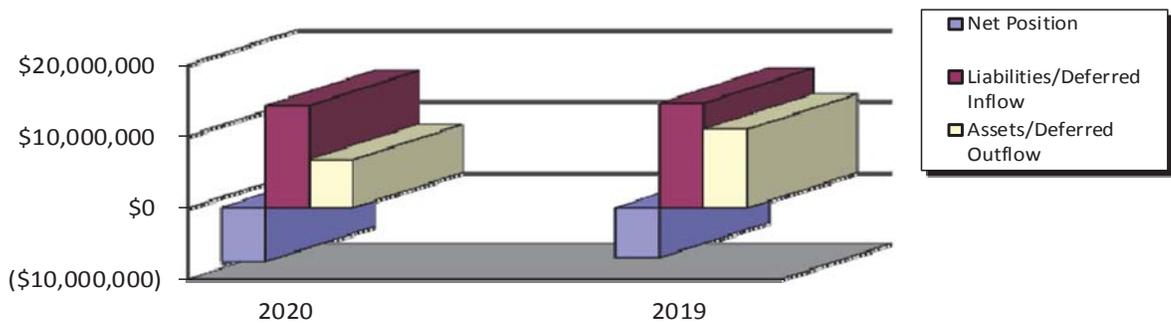
As stated previously, the Statement of Net position looks at the Center as a whole. Table 1 provides a summary of the Center's net position for 2020 compared to 2019:

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**Southern Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

Table 1
Net Position

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$3,230,508	\$3,009,284
Net OPEB Asset	693,992	680,791
Capital Assets	292,073	310,402
Total Assets	4,216,573	4,000,477
Deferred Outflows of Resources:		
Pension	2,271,553	3,506,333
OPEB	155,780	103,668
Total Deferred Outflows of Resources	2,427,333	3,610,001
Liabilities:		
Other Liabilities	305,135	345,862
Long-Term Liabilities	11,850,198	11,763,989
Total Liabilities	12,155,333	12,109,851
Deferred Inflows of Resources:		
Pension	922,921	1,222,130
OPEB	1,123,862	1,237,624
Total Deferred Inflows of Resources	2,046,783	2,459,754
Net Position:		
Net Investment in Capital Assets	292,073	310,402
Restricted	14,699	4,250
Unrestricted	(7,864,982)	(7,273,779)
Total Net Position	(\$7,558,210)	(\$6,959,127)



**Southern Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the Center's liabilities and deferred inflows exceeded assets and deferred outflows by \$7,558,210.

At year-end, capital assets represented 7% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets at June 30, 2020, were \$292,073. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, \$14,699 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total Assets increased slightly from the prior year primarily due to an increase in pooled cash and investments. Long-Term Liabilities increased mainly due to an increase in the net pension liability.

Table 2 shows the changes in net position for fiscal years 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues		
Charges for Services	\$3,731,402	\$3,843,310
Operating Grants, Contributions	61,416	25,428
General Revenues:		
Grants and Entitlements	656,414	695,612
Other	81,186	176,887
Total Revenues	<u>4,530,418</u>	<u>4,741,237</u>
Program Expenses:		
Instruction	1,428,951	1,206,604
Support Services:		
Pupil and Instructional Staff	2,506,219	1,248,421
School Administrative, General		
Administration, and Fiscal	791,525	563,624
Operations and Maintenance	138,951	95,263
Central	232,722	131,885
Operation of Non-Instructional Services	31,133	31,845
Total Program Expenses	<u>5,129,501</u>	<u>3,277,642</u>
Change in Net Position	(599,083)	1,463,595
Net Position Beginning of Year	<u>(6,959,127)</u>	<u>(8,422,722)</u>
Net Position End of Year	<u><u>(\$7,558,210)</u></u>	<u><u>(\$6,959,127)</u></u>

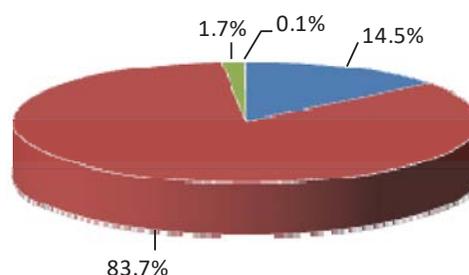
**Southern Ohio Educational Service Center
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

The Center revenues are mainly from two sources. Charges for services and grants and entitlements comprised 97% of the Center’s revenues for governmental activities.

Instruction comprises 28% of governmental program expenses. Support services expenses were 71% of governmental program expenses. All other expenses were 1% of the total governmental program expenses.

Charges for services and Operating Grants made up 84% of revenues for governmental activities for the Center in 2020. The Center’s reliance upon charges for services and operating grants is demonstrated by the following graph:

Revenue Sources	2020	Percent of Total
General Grants	\$656,414	14.5%
Program Revenues	3,792,818	83.7%
Investment Earnings	77,098	1.7%
Other Revenues	4,088	0.1%
	<u>\$4,530,418</u>	<u>100.0%</u>



Total revenues decreased from prior year primarily due to a decrease in charges for services and grants and entitlements revenues. Total expenses increased compared to prior year due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$1,428,951	\$1,206,604	(\$1,329,399)	(\$1,034,415)
Support Services:				
Pupil and Instructional Staff	2,506,219	1,248,421	146,601	1,486,315
School Administrative, General Administration, and Fiscal	791,525	563,624	210,251	396,389
Operations and Maintenance	138,951	95,263	(102,081)	(95,263)
Central	232,722	131,885	(230,922)	(130,085)
Operation of Non-Instructional Services	31,133	31,845	(31,133)	(31,845)
Total Expenses	<u>\$5,129,501</u>	<u>\$3,277,642</u>	<u>(\$1,336,683)</u>	<u>\$591,096</u>

**Southern Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

The Center's Funds

The Center has one major governmental fund: the General Fund. Assets of the General Fund comprise \$3,213,809 (99%) of the total \$3,231,350 governmental funds' assets.

General Fund: Fund balance at June 30, 2020 was \$2,904,434 including \$2,741,928 of unassigned balance. The fund balance increased by \$265,589 from the prior year. The fund balance increased compared to the prior year due to an increase in charges for services revenue.

General Fund Budgeting Highlights

The Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2020, the Center amended its general fund budget. The Center uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. During the course of the year, the Center revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, original budgeted revenues were \$4,777,999 and final budgeted revenues were \$4,529,164. Original budgeted expenditures were \$7,308,435 and final budgeted expenditures were \$7,285,206; actual ending fund balance of \$2,846,640.

Capital Assets and Debt Administration

Capital Assets

At the fiscal year end 2020, the Center had \$292,073 invested in land, buildings and improvements and equipment. Table 4 shows fiscal 2020 balances as compared to 2019:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$31,490	\$31,490
Buildings and Improvements	251,366	269,282
Equipment	9,217	9,630
Total Net Capital Assets	<u>\$292,073</u>	<u>\$310,402</u>

Capital assets decreased due to depreciation expense and disposals exceeding additions.

See Note 5 to the basic financial statements for further details on the Center's capital assets.

Debt

**Southern Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

At June 30, 2020, the Center had no outstanding debt obligations.

For the Future

The Center relies heavily on charges for services and intergovernmental revenues. This scenario requires management to plan carefully and prudently to provide the resources to meet needs over the next several years. Financially, the future of the Center is not without challenges. Management must diligently plan future expenditures. All of the Center's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the Center's finances, the Center's management is confident that the Center can continue to provide quality services to other organizations in the future.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at Southern Ohio Educational Service Center, 3321 Airborne Road, Wilmington, Ohio 45177.

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Southern Ohio Educational Service Center
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,055,048
Receivables (Net):	
Accounts	127,725
Interest	12,421
Intergovernmental	19,758
Prepays	15,556
Net OPEB Asset	693,992
Nondepreciable Capital Assets	31,490
Depreciable Capital Assets, Net	<u>260,583</u>
Total Assets	<u>4,216,573</u>
Deferred Outflows of Resources:	
Pension	2,271,553
OPEB	<u>155,780</u>
Total Deferred Outflows of Resources	<u>2,427,333</u>
Liabilities:	
Accounts Payable	16,752
Accrued Wages and Benefits	288,383
Long-Term Liabilities:	
Due Within One Year	32,437
Due In More Than One Year	
Net Pension Liability	10,943,731
Net OPEB Liability	674,640
Other Amounts	<u>199,390</u>
Total Liabilities	<u>12,155,333</u>
Deferred Inflows of Resources:	
Pension	922,921
OPEB	<u>1,123,862</u>
Total Deferred Inflows of Resources	<u>2,046,783</u>
Net Position:	
Net Investment in Capital Assets	292,073
Restricted for:	
Federal Grants	14,152
Other Purposes	547
Unrestricted	<u>(7,864,982)</u>
Total Net Position	<u>(\$7,558,210)</u>

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$93,312	\$0	\$3,048	(\$90,264)
Special	1,312,152	87,169	0	(1,224,983)
Vocational	23,487	0	0	(23,487)
Other	0	9,335	0	9,335
Support Services:				
Pupil	1,736,473	1,594,405	86	(141,982)
Instructional Staff	769,746	1,038,730	19,599	288,583
General Administration	45,152	0	0	(45,152)
School Administration	388,004	885,274	0	497,270
Fiscal	358,369	116,489	13	(241,867)
Operations and Maintenance	138,951	0	36,870	(102,081)
Pupil Transportation	0	0	0	0
Central	232,722	0	1,800	(230,922)
Operation of Non-Instructional Services	31,133	0	0	(31,133)
Total Governmental Activities	\$5,129,501	\$3,731,402	\$61,416	(1,336,683)
General Revenues:				
				656,414
				2,079
				77,098
				2,009
				<u>737,600</u>
				(599,083)
				<u>(6,959,127)</u>
				<u><u>(\$7,558,210)</u></u>

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$3,055,048	\$0	\$3,055,048
Receivables (Net):			
Accounts	127,725	0	127,725
Interest	12,421	0	12,421
Intergovernmental	2,217	17,541	19,758
Interfund	842	0	842
Prepays	15,556	0	15,556
Total Assets	<u>3,213,809</u>	<u>17,541</u>	<u>3,231,350</u>
Liabilities:			
Accounts Payable	14,752	2,000	16,752
Accrued Wages and Benefits	288,383	0	288,383
Interfund Payable	0	842	842
Total Liabilities	<u>303,135</u>	<u>2,842</u>	<u>305,977</u>
Deferred Inflows of Resources:			
Grants	0	16,699	16,699
Investment Earnings	6,240	0	6,240
Total Deferred Inflows of Resources	<u>6,240</u>	<u>16,699</u>	<u>22,939</u>
Fund Balances:			
Nonspendable	15,556	0	15,556
Assigned	146,950	0	146,950
Unassigned	2,741,928	(2,000)	2,739,928
Total Fund Balances	<u>2,904,434</u>	<u>(2,000)</u>	<u>2,902,434</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$3,213,809</u>	<u>\$17,541</u>	<u>\$3,231,350</u>

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balance		\$2,902,434
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		292,073
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Interest	6,240	
Intergovernmental	<u>16,699</u>	
		22,939
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(231,827)
Deferred outflows and inflows or resources related to pensions and OPEBs are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	2,271,553	
Deferred inflows of resources related to pensions	(922,921)	
Deferred outflows of resources related to OPEB	155,780	
Deferred inflows of resources related to OPEB	<u>(1,123,862)</u>	
		380,550
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	693,992	
Net Pension Liability	(10,943,731)	
Net OPEB Liability	<u>(674,640)</u>	
		(10,924,379)
Net Position of Governmental Activities		<u><u>(\$7,558,210)</u></u>

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Charges for Educational Services	\$3,445,380	\$0	\$3,445,380
Charges for Non-Educational Services	253,827	0	253,827
Investment Earnings	77,925	0	77,925
Intergovernmental	656,414	46,352	702,766
Other Revenues	36,283	0	36,283
Total Revenues	4,469,829	46,352	4,516,181
Expenditures:			
Current:			
Instruction:			
Regular	80,572	2,636	83,208
Special	1,127,984	0	1,127,984
Vocational	20,559	0	20,559
Support Services:			
Pupil	1,410,578	676	1,411,254
Instructional Staff	575,410	6,453	581,863
General Administration	44,641	0	44,641
School Administration	317,652	0	317,652
Fiscal	318,958	99	319,057
Operations and Maintenance	86,893	40,000	126,893
Central	194,849	1,800	196,649
Operation of Non-Instructional Services	26,736	0	26,736
Total Expenditures	4,204,832	51,664	4,256,496
Excess of Revenues Over (Under) Expenditures	264,997	(5,312)	259,685
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	592	0	592
Total Other Financing Sources (Uses)	592	0	592
Net Change in Fund Balance	265,589	(5,312)	260,277
Fund Balance - Beginning of Year	2,638,845	3,312	2,642,157
Fund Balance - End of Year	<u>\$2,904,434</u>	<u>(\$2,000)</u>	<u>\$2,902,434</u>

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balance - Total Governmental Funds \$260,277

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	3,006	
Depreciation Expense	<u>(21,335)</u>	(18,329)

Governmental funds report center pension and OPEB contributions as
 expenditures. However in the Statement of Activities, the cost of
 pension and OPEB benefits earned net of employer contributions
 are reported as pension and OPEB expense

Pension Contributions	792,705	
Pension Expense	(1,868,902)	
OPEB Contributions	3,123	
OPEB Expense	<u>229,773</u>	(843,301)

current financial resources are not reported as revenues in
 the funds.

Interest	(827)	
Intergovernmental	<u>15,064</u>	14,237

Some expenses reported in the statement of activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in governmental funds.

Compensated Absences		<u>(11,967)</u>
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Change in Net Position of Governmental Activities		<u><u>(\$599,083)</u></u>
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See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$0	\$1,073,219
Restricted Cash and Investments	709,856	0
Receivables (Net):		
Accounts	0	14,999
Interest	5,777	0
Intergovernmental	0	134,696
Total Assets	<u>715,633</u>	<u>1,222,914</u>
Liabilities:		
Accounts Payable	0	36,227
Contracts/Retainage Payable	0	3,273
Other Liabilities	0	1,183,414
Total Liabilities	<u>0</u>	<u>\$1,222,914</u>
Net Position:		
Restricted for Endowment - Expendable	115,633	
Restricted for Endowment - Nonexpendable	<u>600,000</u>	
Total Net Position	<u>\$715,633</u>	

See accompanying notes to the basic financial statements.

Southern Ohio Educational Service Center
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
Additions:	
Investment Earnings	<u>\$15,630</u>
Total Additions	<u>15,630</u>
Deductions:	
Scholarships	<u>37,673</u>
Total Deductions	<u>37,673</u>
Change in Net Position	(22,043)
Net Position - Beginning of Year	<u>737,676</u>
Net Position - End of Year	<u>\$715,633</u>

See accompanying notes to the basic financial statements.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 1 – Description of the Educational Service Center and Reporting Entity

The Southern Ohio Educational Service Center Governing Board (referred to as "Center") organized on July 1, 1997, and operates under current standards prescribed by the Ohio State Board of Education as provided in 3311.053 of the Ohio Revised Code for county educational service centers.

The Center was formerly known as the Clinton-Fayette-Highland Educational Service District after the merger of the Clinton County, Fayette County and the Highland County Educational Service Centers. Effective July 1, 2005, as approved by the governing board, the Center became known as the Southern Ohio Educational Service Center after the expansion of their service to include Adams County Ohio Valley School District. This was a name change only, and did not change the organizational structure or services provided by the Center. The Governing Board is made up of nine elected board members. The elected governing board can, at the January organizational meeting, appoint up to 8 additional members to serve on the governing board for a maximum of 17 members. The resolution to merge explains this issue in more detail.

This Center operates the following office facilities--the Central Board Office at 3321 Airborne Road, Wilmington, Ohio and the Highland County Office at 39 Willettsville Pike, Hillsboro, Ohio.

The Center employs, including Region 14/Hopewell 110 employees to provide service to the eight local school districts in Clinton County (Blanchester, Clinton-Massie, East Clinton), Fayette County (Miami Trace), Highland County (Bright, Fairfield, Lynchburg-Clay), Adams County (Adams County/Ohio Valley): the three city school districts of Hillsboro, Washington Court House, and Wilmington, the one exempted village school district of Greenfield, and the Laurel Oaks Career Development Center.

The Center provides fiscal agent services to the following organizations: Region 14/Hopewell, 5350 West New Market Road, Hillsboro, Ohio; DARE, through the Clinton County Sheriff in Wilmington, Ohio. Region 14/Hopewell is accounted for as an agency trust fund while the other funds with fiscal agent relationships are reported as agency funds for GAAP purposes. The Center also provides fiscal agent services to the Southern Ohio Learning Center. Participation fees and tuition for the alternative school are included within a "014" Internal Service Rotary Fund but the alternative school ended at the conclusion of FY 2018 based upon decisions of participating districts. Grant activity for the alternative education challenge grant, which helps support the Southern Ohio Learning Center, is included within and accounted for in a "463" Alternative Schools Fund through the Ohio Department of Education's CCIP (Comprehensive Continuous Improvement Planning Application) process and ended at the conclusion of FY 2017.

Reporting Entity

The Center reporting entity is comprised of the primary government. The primary government of the Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, preschool, teacher development, gifted, emotionally disturbed classrooms, special education, alternative school, agriculture education, technology, speech therapy, psychology, social work, and multi-handicap activities and programs.

The Center is associated with three jointly governed organizations, two public entity shared risk pools, and one related organization. These organizations are:

- Jointly Governed Organizations:
 - Miami Valley Educational Computer Association
 - Region 14/Hopewell
 - Southwestern Ohio Educational Purchasing Council

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Public Entity Shared Risk Pools:

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan
Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation GRP

Related Organization:

Great Oaks Career Campuses

These organizations are presented in Notes 12, 13, and 14 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (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 most significant of the Center's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

The Center's basic financial statements consist of government-wide 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.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Center are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and programs revenues for each function or program of the Center'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 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 Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

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

The private purpose fund is reported using the economic resources measurement focus.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Center are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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 and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the Center's major governmental funds:

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center has two agency funds. The Center has a private purpose trust which benefits programs for individual students. See footnote 12 for more information on the Hopewell (agency fund). The Center Agency fund accounts for those held by the Center as an agent for individuals, private organizations, and other governmental units.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, included 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 Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial 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 Center, deferred outflows of resources includes pension and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

In addition to liabilities, the statements of financial 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 (revenue) until that time. For the Center, deferred inflows of resources include grants, OPEB, investment earnings, and pension. Grants and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 7 and 8.

Expenses/Expenditures

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

Equity in Pooled Cash and Investments

Cash received by the Center is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year amounted to \$77,925.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Center maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The Center possesses a building located at 5350 West New Market Road, Hillsboro, Ohio (Region 14/Hopewell Center). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	20-50 years
Equipment	3 -10 years

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include the amount in the private purpose trust fund that is restricted by trust agreements to be used for scholarships.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditures/expense is reported in the year in which services are consumed.

Pensions/Other Postemployment Benefits (OPEB)

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

Compensated Absences

The Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Center's past experience of making termination 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 due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated Absences are reported in governmental funds only if they have matured.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Center's \$14,699 in restricted net position, none were restricted by enabling legislation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, the Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the Center's formal purchasing procedure by the Treasurer.

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net position.

As a general rule the effect of internal activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Equity in Pooled Cash and Investments

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the Center into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the Center. Such monies must by law be maintained either as cash in the Center treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, \$2,261,943 of the Center's bank balance of \$2,511,943 was exposed to custodial credit risk because it was uninsured and collateralized.

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

Eligible securities pledged to the Center 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.

Investments

As of June 30, 2020, the Center had the following investments:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Negotiable CD's	\$2,028,143	Level 2	0.96
Money Market Funds	642,512	N/A	0.00
Total Fair Value	<u>\$2,670,655</u>		
Portfolio Weighted Average Maturity			0.73

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2020.

Interest Rate Risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Credit Risk – It is the Center’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk – The Center’s investment policy allows investments in Federal Agencies or Instrumentalities. The Center has invested 76% in Negotiable CDs and 24% in Money Market Funds.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center’s securities are registered in the name of the Center.

Note 4 – Receivables

Receivables at June 30, 2020, consisted of accounts, interest, intergovernmental, and interfund.

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$31,490	\$0	\$0	\$31,490
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	578,340	0	0	578,340
Equipment	<u>35,480</u>	<u>3,006</u>	<u>0</u>	<u>38,486</u>
Totals at Historical Cost	<u>645,310</u>	<u>3,006</u>	<u>0</u>	<u>648,316</u>
Less Accumulated Depreciation:				
Buildings and Improvements	309,058	17,916	0	326,974
Equipment	<u>25,850</u>	<u>3,419</u>	<u>0</u>	<u>29,269</u>
Total Accumulated Depreciation	<u>334,908</u>	<u>21,335</u>	<u>0</u>	<u>356,243</u>
Governmental Activities Capital Assets, Net	<u>\$310,402</u>	<u>(\$18,329)</u>	<u>\$0</u>	<u>\$292,073</u>

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Special	\$887
School Administration	12,953
Fiscal	121
Pupil Transportation	6,824
Extracurricular Activities	<u>550</u>
Total Depreciation Expense	<u>\$21,335</u>

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 – Long-Term Liabilities

	Beginning Outstanding	Additions	Deductions	Ending Outstanding	Due In One Year
Governmental Activities:					
Compensated Absences	\$232,423	\$39,536	\$40,132	\$231,827	\$32,437
Net Pension Liability:					
STRS	9,315,504	0	49,204	9,266,300	0
SERS	1,487,602	189,829	0	1,677,431	0
Total Net Pension Liability	10,803,106	189,829	49,204	10,943,731	0
Net OPEB Liability:					
STRS	0	0	0	0 (a)	0
SERS	728,460	0	53,820	674,640	0
Total Net OPEB Liability	728,460	0	53,820	674,640	0
Total Long-Term Obligations	<u>\$11,763,989</u>	<u>\$229,365</u>	<u>\$143,156</u>	<u>\$11,850,198</u>	<u>\$32,437</u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$693,992 as of June 30, 2020.

Compensated absences will be paid from the fund from which the person is paid. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Note 7 - 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) represent the employer's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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.

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Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the employer 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. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The contractually required contribution to SERS was \$120,106 for fiscal year 2020. Of this amount \$0 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 Aug. 1, 2017 through 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 Aug. 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 be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any 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. The member determines how to allocate the member and employer money among various investment choices offered by STRS. 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.

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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 is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$672,599 for fiscal year 2020. Of this amount \$0 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,677,431	\$9,266,300	\$10,943,731
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02803580%	0.04190166%	
Prior Measurement Date	<u>0.02597440%</u>	<u>0.04236678%</u>	
Change in Proportionate Share	0.00206140%	-0.00046512%	
Pension Expense	\$223,062	\$1,645,840	\$1,868,902

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

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$42,536	\$75,443	\$117,979
Changes of assumptions	0	1,088,506	1,088,506
Changes in employer proportionate share of net pension liability	67,134	205,229	272,363
Contributions subsequent to the measurement date	120,106	672,599	792,705
Total Deferred Outflows of Resources	<u>\$229,776</u>	<u>\$2,041,777</u>	<u>\$2,271,553</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$40,112	\$40,112
Net difference between projected and actual earnings on pension plan investments	21,532	452,886	474,418
Changes in employer proportionate share of net pension liability	24,672	383,719	408,391
Total Deferred Inflows of Resources	<u>\$46,204</u>	<u>\$876,717</u>	<u>\$922,921</u>

\$792,705 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	SERS	STRS	Total
2021	\$67,760	\$623,542	\$691,302
2022	(15,072)	(43,738)	(58,810)
2023	(1,433)	(124,536)	(125,969)
2024	12,211	37,193	49,404
Total	<u>\$63,466</u>	<u>\$492,461</u>	<u>\$555,927</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 termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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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:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the 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. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined 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 rebalanced uncorrelated asset classes.

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

Discount Rate

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

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rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$2,350,681	\$1,677,431	\$1,112,827

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%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%

Post-retirement mortality rates for healthy retirees 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

STRS’ 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:

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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 rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.45%	7.45%	8.45%
Proportionate share of the net pension liability	\$13,541,666	\$9,266,300	\$5,646,985

Note 8 - Defined Benefit OPEB Plans

See Note 7 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The employer 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.

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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 fiscal year 2020, no allocation was made 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 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 employer's surcharge obligation was \$3,123.

The surcharge, added to any allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$3,123 for fiscal year 2020. Of this amount \$0 is reported as accrued wages and benefits.

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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment

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health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability (asset) was based on the employer'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$674,640	\$0	\$674,640
Proportionate Share of the Net OPEB (Asset)	0	(693,992)	(693,992)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.02682690%	0.04190166%	
Prior Measurement Date	<u>0.02625770%</u>	<u>0.04236678%</u>	
Change in Proportionate Share	0.00056920%	-0.00046512%	
OPEB Expense	\$2,882	(\$232,655)	(\$229,773)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$9,903	\$62,916	\$72,819
Changes of assumptions	49,275	14,588	63,863
Net difference between projected and actual earnings on OPEB plan investments	1,619	0	1,619
Changes in employer proportionate share of net OPEB liability	14,356	0	14,356
Contributions subsequent to the measurement date	<u>3,123</u>	<u>0</u>	<u>3,123</u>
Total Deferred Outflows of Resources	<u>\$78,276</u>	<u>\$77,504</u>	<u>\$155,780</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$148,214	\$35,308	\$183,522
Changes of assumptions	37,805	760,881	798,686
Net difference between projected and actual earnings on OPEB plan investments	0	43,587	43,587
Changes in employer proportionate share of net OPEB liability	<u>13,249</u>	<u>84,818</u>	<u>98,067</u>
Total Deferred Inflows of Resources	<u>\$199,268</u>	<u>\$924,594</u>	<u>\$1,123,862</u>

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\$3,123 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$45,354)	(\$185,842)	(\$231,196)
2022	(18,487)	(185,841)	(204,328)
2023	(18,012)	(168,373)	(186,385)
2024	(18,090)	(162,244)	(180,334)
2025	(16,763)	(146,339)	(163,102)
Thereafter	(7,409)	1,549	(5,860)
Total	<u>(\$124,115)</u>	<u>(\$847,090)</u>	<u>(\$971,205)</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.

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:

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

Mortality rates among active members 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 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 timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, 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	<u>10.00%</u>	3.00%
Total	<u><u>100.00%</u></u>	

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

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

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Proportionate share of the net OPEB liability	\$818,885	\$674,640	\$559,948
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$540,523	\$674,640	\$852,581

Assumption and Benefit Changes since the Prior Measurement Date

Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% ultimate

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.

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

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 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><u>100.00%</u></u>	

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

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

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. 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 these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 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 asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$592,184)	(\$693,992)	(\$779,589)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$786,955)	(\$693,992)	(\$580,135)

Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 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.

There were changes in assumptions, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

Note 9 – Contingent Liabilities

Grants

The Center 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 and 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2020, if applicable, cannot be determined at this time.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Litigation

The Center 's attorney estimates that all other potential claims against the Center not covered by insurance resulting from all other litigation would not materially affect the financial statements of the Center.

Note 10 – Risk Management

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The current facility at 3321 Airborne Road is leased from the Great Oaks Career Campuses. The Southern Ohio Educational Service Center Highland County office is leased from Hillsboro City School District. The Region 14/Hopewell facility is owned by the Southern Ohio Educational Service Center. Said ownership is a function of the board's role as fiscal agent. The Center contracted with McGowan Governmental Underwriters for general liability educator's legal liability, excess liability, and property coverage. The plan covers the entire Center, including Region 14/Hopewell, Highland County offices, Southern Ohio Learning Center and all classrooms.

The Hylant Group maintains a \$50,000 public official bond for the Treasurer through The Travelers Casualty and Surety Company of America, One Tower Square, Hartford, Connecticut.

Settled claims have not exceeded any of the commercial coverage mentioned above in any of the past three years. There has been no significant change in any coverage from last year.

For fiscal year, the Center participated in a State Funded Worker's Compensation program. The rates are based upon the Center's individual experience and the Center participates in Destination Excellence program to combine discounts. The firm of Hunter Consulting, Inc. provides administrative, cost control and actuarial services.

Note 11 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave components are set by the Governing Board and State laws. Eligible employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated vacation must be used by the end of the calendar year earned or be lost. Unused vacation time is paid to 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. Regular part-time employees are entitled to sick leave and may be proportioned to the percentage of full-time. Sick leave may be accumulated up to the number of workdays specified in the employee's contract, not to exceed 230 days. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave with a maximum payment being limited to 35 days, unless otherwise stated in employment contract.

Health Care Benefits

The Center provides term life insurance, accidental death and dismemberment insurance to all of its eligible employees through the Southwestern Ohio Educational Purchasing Council (SWOEPC), using Unum Life Insurance Company.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

The Center provides health care, dental, and vision insurance benefits through the Southwestern Ohio Educational Purchasing Council (SWOEPC), using the United Health Care, Delta Dental and Vision Service Plan providers.

125 Plan

The Center provides its eligible employees an option to participate in a 125 plan. Through election to participate, the employees can have their portion of their medical premiums tax exempt. Participation is renewed annually with each fiscal year during the months of August/September. This plan is administered by the American Fidelity Assurance Company.

Deferred Compensation

457 Plan

The Center provides two IRS Section 457b Plans for deferred compensation. Employees may elect to contribute “before tax” dollars into an annuity type program. The Center does not make any employer contributions. One plan is administered by Voya Financial, Inc. and the other plan is administered by Ohio Deferred Compensation. The Center does not make any employer contributions except to those employees who are eligible for post-retirement contributions.

403b Plan

The Center provides an IRS Section 403b Plan. Employees may elect to contribute “before tax” dollars into a tax sheltered type program. The Center does not make any employer contributions except to those employees who are eligible for post-retirement contributions according to Center’s 403b Plan Document. The plan was administered by a third party administrator, The Omni Group.

Note 12 – Jointly-Governed Organization

Miami Valley Educational Computer Association (MVECA)

The Center is a member of the Miami Valley Educational Computer Association (MVECA) which is a technology support consortium for public schools. MVECA is a council of Governments (COG) and an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The General Assembly of MVECA consists of two representatives, the superintendent and the treasurer, from each of the participating school districts. The Board of Directors is elected from this group. The degree of control exercised by any participating district is limited to its representation on the Board. The Center made total payments to MVECA for \$58,376 during 2020. To obtain financial information, write to MVECA, 330 East Enon Road, Yellow Springs, Ohio 45387.

Region 14/Hopewell

Region 14/Hopewell is a jointly governed organization created by the Ohio Department of Education and the participating school districts to offer professional development, technical assistance, and support in areas of school improvement services, special education and early learning school readiness as well as special education and related services to children with special needs in the region. Eighteen local, city and exempted village school districts in Adams, Brown, Clinton, Fayette, and Highland counties receive services from Region 14/Hopewell. This organization is operated under regulations and policies established by the Ohio Department of Education, the Center’s governing board, and its own advisory

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

council. The Region 14/Hopewell Advisory Council is made up of superintendents from the eighteen school districts plus the Center's superintendent and treasurer, developmental disabilities agencies, joint vocational school superintendents, parents of children with special needs in the region, and other members as specified in law. The Advisory Council provides recommendations to the Center regarding both the Ohio Department of Education/Region 14 Performance Agreement activities and the Region 14/Hopewell Cooperative programs and services. Beginning in February 2016, the Advisory Council transitioned to a Governing Board. The Governing Board is made up of superintendents from the eighteen school districts plus the Center's superintendent and treasurer, Region 14/Hopewell Director and five parents; one parent of a child with special needs from Adams, Brown, Clinton, Fayette and Highland counties. The Center acts as fiscal agent for the Region 14/Hopewell Center through a written agreement. Region 14/Hopewell receives funding from contracts with each of the member school districts and state and federal grants.

Southwestern Ohio Educational Purchasing Council (SWOEPC)

The Southwestern Ohio Educational Purchasing Council (SWOEPC) is a group purchasing pool consisting of public and private school districts. The purpose of a group purchasing pool is to purchase products or services at a reduced rate. The Center participates with the SWOEPC in the purchase of supplies, audio/visual materials, and the management of unemployment and workers compensation.

Note 13 – Public Entity Shared Risk Pools

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public and private school districts who are members of the SWOEPC (described above). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual district acted independently. Each participating district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem or United Healthcare. The Plan is governed by an Executive Committee elected in accordance with the Trust Agreement and voted on by participating SWOEPC member districts.

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

In prior fiscal years, the Center participated in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Program (WCGRP) was established through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC) as a group purchasing pool. The WCGRP's business and affairs are conducted by an Executive Committee. The Executive Director of the SWOEPC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program. However, in FY2020, the Center did not participate in a group-rating plan for worker's compensation due to claim history. The Center was classified as "state funded."

Note 14 – Related Organization

Great Oaks Career Campuses (Great Oaks)

Every three years, the Center appoints by law one board member to serve on the board of Great Oaks, located in Cincinnati, Ohio. This board member represents the districts of Clinton-Massie Local and Blanchester Local, per their request. All other districts participating from the counties of Clinton, Fayette, and Highland send their own representatives.

**Southern Ohio Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

Note 15 – State Funding

The Center is funded by the Ohio Department of Education and by its member districts through the ESC Foundation – Statement of Settlement Report.

The state funded portion of the settlement is broken down into two sources of revenue: gifted unit funding and per pupil funding. The gifted funding is based on the number of available units and by the information provided through the Center’s Educational Information Management Systems (EMIS). The per pupil funding is based on the Average Daily Membership (ADM) of all the Center’s member districts multiplied by \$26.00 minus any reduction in funding by the State.

The local (district) funded portion of the settlement is broken down by one source of revenue: per pupil. This source of local revenue is deducted directly from the member districts’ state funding formula. Per pupil funding is based on each district’s ADM multiplied by \$6.50. Districts may have additional per pupil funding deducted if an agreement is on file with the Ohio Department of Education. The additional per pupil deduction is used to provide funding for specific programs or services. The Ohio Department of Education supervises the procedure under which the school districts approve or disapprove the additional funding per pupil.

Note 16 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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:

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$15,556	\$0	\$15,556
Total Nonspendable	15,556	0	15,556
Assigned to:			
Encumbrances	146,950	0	146,950
Total Assigned	146,950	0	146,950
Unassigned (Deficit)	2,741,928	(2,000)	2,739,928
Total Fund Balance	\$2,904,434	(\$2,000)	\$2,902,434

Note 17 – Implementation of New Accounting Principles

For fiscal year 2020, the District has postponed implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The District did not implement these statements due to the GASB postponing the implementation by 12 months because of the COVID-19 pandemic.

Note 18 – COVID-19

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide continue to take actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. The full impact of COVID-19 and the scope of any continued impact on finances and operations cannot be fully determined at this time. Adverse consequences of the COVID-19 pandemic may include but are not limited to decline in enrollment; additional decreases in financial support from the State; and reduction in funding support from donors or other external sources.

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REQUIRED SUPPLEMENTARY INFORMATION

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Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of the Center's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	Center's Proportion of the Net Pension Liability	Center's Proportionate Share of the Net Pension Liability	Center's Covered Payroll	Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.02803580%	\$1,677,431	\$961,785	174.41%	70.85%
2019	0.02597440%	1,487,602	835,926	177.96%	71.36%
2018	0.02621250%	1,566,139	878,836	178.21%	69.50%
2017	0.02798540%	2,048,273	946,864	216.32%	62.98%
2016	0.02886160%	1,646,871	943,829	174.49%	69.16%
2015	0.04985100%	2,522,931	1,441,520	175.02%	71.70%
2014	0.04985100%	2,965,369	1,377,988	215.20%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of Center's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	Center's Contractually Required Contribution	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2020	\$120,106	(\$120,106)	\$0	\$857,900	14.00%
2019	129,841	(129,841)	0	961,785	13.50%
2018	112,850	(112,850)	0	835,926	13.50%
2017	123,037	(123,037)	0	878,836	14.00%
2016	132,561	(132,561)	0	946,864	14.00%
2015	132,136	(132,136)	0	943,829	14.00%
2014	202,801	(202,801)	0	1,441,520	14.07%
2013	219,663	(219,663)	0	1,377,988	15.94%
2012	209,762	(209,762)	0	1,299,251	16.14%
2011	216,186	(216,186)	0	1,329,460	16.23%

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of the Center's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	Center's Proportion of the Net Pension Liability	Center's Proportionate Share of the Net Pension Liability	Center's Covered Payroll	Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.04190166%	\$9,266,300	\$5,033,686	184.09%	77.40%
2019	0.04236678%	9,315,504	4,927,243	189.06%	77.30%
2018	0.04350024%	10,333,575	4,923,093	209.90%	75.30%
2017	0.04508657%	15,091,834	4,879,200	309.31%	66.80%
2016	0.04146890%	11,460,791	4,447,450	257.69%	72.10%
2015	0.03656800%	8,894,603	3,752,989	237.00%	74.70%
2014	0.03656800%	10,566,659	3,770,973	280.21%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of Center's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	Center's Contractually Required Contribution	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2020	\$672,599	(\$672,599)	\$0	4,804,279	14.00%
2019	704,716	(704,716)	0	5,033,686	14.00%
2018	689,814	(689,814)	0	4,927,243	14.00%
2017	689,233	(689,233)	0	4,923,093	14.00%
2016	683,088	(683,088)	0	4,879,200	14.00%
2015	622,643	(622,643)	0	4,447,450	14.00%
2014	523,074	(523,074)	0	3,752,989	13.94%
2013	535,585	(535,585)	0	3,770,973	14.20%
2012	497,106	(497,106)	0	3,446,982	14.42%
2011	529,162	(529,162)	0	3,693,309	14.33%

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of the Center's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	Center's Proportion of the Net OPEB Liability	Center's Proportionate Share of the Net OPEB Liability	Center's Covered Payroll	Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2020	0.02682690%	\$674,640	\$961,785	70.14%	15.57%
2019	0.02625770%	728,460	835,926	87.14%	13.57%
2018	0.02651410%	711,569	878,836	80.97%	12.46%
2017	0.02791190%	795,592	946,864	84.02%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of Center's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1) (2)

Year	Center's Contractually Required Contribution (2)	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2020	\$3,123	(\$3,123)	\$0	\$857,900	0.36%
2019	12,259	(12,259)	0	961,785	1.27%
2018	17,951	(17,951)	0	835,926	2.15%
2017	14,055	(14,055)	0	878,836	1.60%
2016	12,021	(12,021)	0	946,864	1.27%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of the Center's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	Center's Proportion of the Net OPEB (Asset)/Liability	Center's Proportionate Share of the Net OPEB (Asset)/Liability	Center's Covered Payroll	Center's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2020	0.04190166%	(\$693,992)	\$5,033,686	(13.79%)	174.74%
2019	0.04236678%	(\$680,791)	\$4,927,243	(13.82%)	176.00%
2018	0.04350024%	1,697,219	4,923,093	34.47%	47.10%
2017	0.04508657%	2,411,242	4,879,200	49.42%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
 Required Supplementary Information
 Schedule of Center's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

Year	Center's Contractually Required Contribution	Center's Contributions in Relation to the Contractually Required Contributions	Center's Contribution Deficiency (Excess)	Center's Covered Payroll	Center's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$4,804,279	0.00%
2019	0	0	0	5,033,686	0.00%
2018	0	0	0	4,927,243	0.00%
2017	0	0	0	4,923,093	0.00%
2016	0	0	0	4,879,200	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	48,649	46,115	46,115	0
Intergovernmental	690,139	654,197	654,197	0
Charges for Services	267,772	253,827	253,827	0
Tuition and Fees	3,677,340	3,485,827	3,485,827	0
Other Revenues	94,099	89,198	89,198	0
Total Revenues	4,777,999	4,529,164	4,529,164	0
Expenditures:				
Current:				
Instruction:				
Regular	130,575	130,160	80,572	49,588
Special	1,931,230	1,925,092	1,191,679	733,413
Vocational	35,415	35,302	21,853	13,449
Support Services:				
Pupil	2,451,594	2,443,801	1,512,773	931,028
Instructional Staff	1,034,274	1,030,987	638,206	392,781
General Administration	74,176	73,941	45,771	28,170
School Administration	520,689	519,034	321,295	197,739
Fiscal	526,491	524,818	324,875	199,943
Operations and Maintenance	181,192	180,616	111,806	68,810
Central	379,406	378,200	234,115	144,085
Operation of Non-Instructional Services	43,393	43,255	26,776	16,479
Total Expenditures	7,308,435	7,285,206	4,509,721	2,775,485
Excess of Revenues Over (Under) Expenditures	(2,530,436)	(2,756,042)	19,443	2,775,485
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	625	0	592	592
Total Other Financing Sources (Uses)	625	0	592	592
Net Change in Fund Balance	(2,529,811)	(2,756,042)	20,035	2,776,077
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,826,605	2,826,605	2,826,605	0
Fund Balance End of Year	\$296,794	\$70,563	\$2,846,640	\$2,776,077

See accompanying notes to the supplementary information.

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Note 1 – Budgetary Process

Annual appropriations are enacted by the Educational Service Center at the fund, function and object level of expenditures. Budgetary integration is employed as a management control device during the year for all funds. During the year, monthly supplemental appropriations were enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as an assignment of fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the following funds.

**Southern Ohio Educational Service Center
Notes to the Supplementary Information
For The Year Ended June 30, 2020**

Net Change in Fund Balance

	<u>General Fund</u>
GAAP Basis	\$265,589
Revenue Accruals	59,335
Expenditure Accruals	(143,187)
Encumbrances	<u>(161,702)</u>
Budget Basis	<u><u>\$20,035</u></u>

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2020: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

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

Changes in Assumptions:

2018-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**Southern Ohio Educational Service Center
Notes to the Supplementary Information
For The Year Ended June 30, 2020**

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

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

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

Changes in Assumptions:

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

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

Changes in Assumptions:

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.70%
Measurement Date	3.22%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.62%
Measurement Date	3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.70%
Measurement Date	3.22%

Southern Ohio Educational Service Center
Notes to the Supplementary Information
For The Year Ended June 30, 2020

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(4) Discount Rate:		
	Prior Measurement Date	3.63%
	Measurement Date	3.70%
(5) Municipal Bond Index Rate:		
	Prior Measurement Date	3.56%
	Measurement Date	3.62%
(6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
	Prior Measurement Date	3.63%
	Measurement Date	3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:		
	Fiscal Year 2018	3.63%
	Fiscal Year 2017	2.98%
(2) Municipal Bond Index Rate:		
	Fiscal Year 2018	3.56%
	Fiscal Year 2017	2.92%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
	Fiscal Year 2018	3.63%
	Fiscal Year 2017	2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

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% to 1.984% per year of service. The non-Medicare frozen

Southern Ohio Educational Service Center
Notes to the Supplementary Information
For The Year Ended June 30, 2020

subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<i>Educational Service Center (ESC)</i>			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to State:			
IDEA Part B - Parent Mentor, FY20	84.027	23,024	23,030
IDEA Part B - Parent Mentor, FY19		1,412	775
		<u>24,436</u>	<u>23,805</u>
<i>Total Special Education Cluster for Educational Service Center (ESC):</i>		<u>24,436</u>	<u>23,805</u>
Total Federal Financial Assistance for the ESC:		<u>24,436</u>	<u>23,805</u>
<i>Region 14 State Support Team (Hopewell)</i>			
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to State:			
IDEA Part B - FY20	84.027	928,052	937,121
IDEA Part B - FY19		47,459	32,643
<i>Total Special Education Grants to State (IDEA, Part B)</i>		<u>975,511</u>	<u>969,764</u>
IDEA Part B - Early Literacy SSIP, FY20	84.027	71,150	71,941
IDEA Part B - Early Literacy SSIP, FY19		5,227	4,903
		<u>76,377</u>	<u>76,844</u>
Total CFDA #84.027		<u>1,051,888</u>	<u>1,046,608</u>
Special Education - IDEA			
Pre-School Grants:			
Early Learning - FY20	84.173	47,061	49,403
Early Learning - FY19		3,754	3,754
<i>Total Special Education Pre-School Grants</i>		<u>50,815</u>	<u>53,157</u>
Early Literacy State Systemic Improvement Plan (ELSR) FY20	84.173	21,176	21,412
Early Literacy State Systemic Improvement Plan (ELSR) FY19		1,681	1,516
		<u>22,857</u>	<u>22,928</u>
Total CFDA# 84.173		<u>73,672</u>	<u>76,085</u>
Total Special Education Cluster for Hopewell:		<u>1,125,560</u>	<u>1,122,693</u>
School Climate Transformation Grant	84.184	8,211	1,132
Total Passed Through the Department of Education		<u>1,133,771</u>	<u>1,123,825</u>
Total Federal Financial Assistance for the Hopewell:		<u>1,133,771</u>	<u>1,123,825</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,158,207</u>	<u>\$ 1,147,630</u>

The accompanying notes to this schedule are an intergral part of this schedule.

**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON 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 Southern Ohio Educational Service Center (the Center) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position or changes in net position of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

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*

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Road
Wilmington, Ohio 45177

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, the major fund, and the aggregate remaining fund information of the Southern Ohio Educational Service Center, Clinton County, (the Center) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 17, 2021. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 17, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

Southern Ohio Educational Service Center
Clinton County
3321 Airborne Road
Wilmington, Ohio 45177

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio
March 17, 2021

**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER
CLINTON COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/30/2021

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