



OHIO AUDITOR OF STATE
KEITH FABER



**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY
JUNE 30, 2020**

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EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY
JUNE 30, 2020

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OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

East Central Ohio Educational Service Center
Tuscarawas County
834 East High Avenue
New Philadelphia, Ohio 44663

To the Governing Board:

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 East Central Ohio Educational Service Center, Tuscarawas County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Educational Service 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 Educational Service 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 Educational Service 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 Educational Service 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 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Educational Service Center. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension and Other Post-Employment Benefit Liabilities/Assets 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 Educational Service Center's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, on our consideration of the Educational Service 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 Educational Service Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2021

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East Central Ohio Educational Service Center

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

The discussion and analysis of the East Central Ohio Educational Service Center's (Educational Service Center) financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Educational Service 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 Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2020 are as follows:

- Net position of governmental activities decreased primarily due to increases in pension and OPEB expense.
- Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for approximately 96 percent of total revenues.
- Total assets increased primarily due to an increase in the intergovernmental receivable related to services provided to member school districts. Total liabilities increased primarily due to the increase in the net pension liability.
- The Educational Service Center had \$18,029,931 in expenses related to governmental activities. Program specific charges for services and sales and operating grants and contributions totaling \$17,071,729 were not sufficient to support the programs.
- Total governmental funds had an increase in revenue, resulting in a net increase in total governmental fund balances. The increase in revenue was partly offset by an increase in expenditures as the Educational Service Center served an increasing number of students and school districts while continuing to expand services provided to participating entities.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of Educational Service 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 Educational Service Center's most significant funds with all other non-major funds presented in total in one column.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-50 of this report.

East Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Reporting the Educational Service Center as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the Educational Service Center to provide programs and activities for students, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities 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 Educational Service Center's net position and changes in net position. This change in net position is important because it tells the reader that, for Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include Educational Service Center's facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, all of the Educational Service Center's activities are considered to be governmental activities including instruction, support services, operation and maintenance of plant, and pupil transportation.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 10. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's only major governmental fund is the General Fund.

Governmental Funds

Most of the Educational Service 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 fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Educational Service Center's general governmental 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.

East Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The Educational Service Center as a Whole

Recall that the Statement of Net Position provides the perspective of Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position for 2020 compared to 2019.

Table 1
Net Position
Governmental Activities

	2020	2019	Change
Assets			
Current and Other Assets	\$4,524,021	\$3,798,044	\$725,977
Net OPEB Asset	902,759	790,597	112,162
Capital Assets	1,662,361	1,528,053	134,308
<i>Total Assets</i>	<u>7,089,141</u>	<u>6,116,694</u>	<u>972,447</u>
Deferred Outflows of Resources			
Pension	4,146,295	4,308,109	(161,814)
OPEB	508,779	223,540	285,239
<i>Total Deferred Outflows of Resources</i>	<u>4,655,074</u>	<u>4,531,649</u>	<u>123,425</u>
Liabilities			
Current and Other Liabilities	1,007,971	983,239	24,732
Long-Term Liabilities:			
Due Within One Year	189,151	163,169	25,982
Due in More Than One Year:			
Net Pension Liability	16,496,666	14,714,388	1,782,278
Net OPEB Liability	1,881,948	1,902,392	(20,444)
Other Amounts	180,601	193,747	(13,146)
<i>Total Liabilities</i>	<u>19,756,337</u>	<u>17,956,935</u>	<u>1,799,402</u>
Deferred Inflows of Resources			
Pension	1,660,070	2,261,251	(601,181)
OPEB	2,003,483	1,863,643	139,840
<i>Total Deferred Inflows of Resources</i>	<u>3,663,553</u>	<u>4,124,894</u>	<u>(461,341)</u>
Net Position			
Net Investment in Capital Assets	1,599,206	1,444,572	154,634
Restricted	36,034	15,031	21,003
Unrestricted (Deficit)	(13,310,915)	(12,893,089)	(417,826)
<i>Total Net Position</i>	<u>(\$11,675,675)</u>	<u>(\$11,433,486)</u>	<u>(\$242,189)</u>

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Educational Service Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding

East Central Ohio Educational Service Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets increased primarily due to an increase in current and other assets, mainly an increase in the intergovernmental receivable related to services provided to member school districts. The Educational Service Center is also reporting increases in the net OPEB asset and in capital assets. Capital asset additions for fiscal year 2020 included the purchase of a building in Cambridge for \$145,000. The Cambridge building is a satellite office for Guernsey County employees.

Total liabilities increased primarily due to the increase in the net pension liability, which represents the Educational Service Center's proportionate share of the respective pension systems' unfunded benefits.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position
Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services and Sales	\$15,437,472	\$12,607,088	\$2,830,384
Operating Grants and Contributions	<u>1,634,257</u>	<u>1,645,161</u>	<u>(10,904)</u>
Total Program Revenues	<u>17,071,729</u>	<u>14,252,249</u>	<u>2,819,480</u>
General Revenues			
Grants and Entitlements not Restricted to Specific Programs	662,786	727,387	(64,601)
Investment Earnings	24,164	42,427	(18,263)
Miscellaneous	<u>29,063</u>	<u>13,447</u>	<u>15,616</u>
Total General Revenues	<u>716,013</u>	<u>783,261</u>	<u>(67,248)</u>
Total Revenues	<u>\$17,787,742</u>	<u>\$15,035,510</u>	<u>\$2,752,232</u>

(continued)

East Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
Changes in Net Position (Continued)

	Governmental Activities		Change
	2020	2019	
Expenses			
Instruction:			
Regular	\$3,119,568	\$2,224,426	\$895,142
Special	3,587,550	2,561,006	1,026,544
Vocational	78,766	55,706	23,060
Student Intervention Services	25,321	7,289	18,032
Support Services:			
Pupil	4,070,498	3,306,867	763,631
Instructional Staff	3,928,607	2,326,785	1,601,822
Board of Education	36,895	43,315	(6,420)
Administration	1,154,958	997,591	157,367
Fiscal	650,805	525,826	124,979
Business	524,579	660,197	(135,618)
Operation and Maintenance of Plant	295,571	312,544	(16,973)
Pupil Transportation	4,740	15,934	(11,194)
Central	426,643	283,146	143,497
Food Service Operations	121,876	97,955	23,921
Interest and Fiscal Charges	3,554	4,502	(948)
<i>Total Expenses</i>	<u>18,029,931</u>	<u>13,423,089</u>	<u>4,606,842</u>
<i>Change in Net Position</i>	(242,189)	1,612,421	(1,854,610)
<i>Net Position Beginning of Year</i>	<u>(11,433,486)</u>	<u>(13,045,907)</u>	<u>1,612,421</u>
<i>Net Position End of Year</i>	<u>(\$11,675,675)</u>	<u>(\$11,433,486)</u>	<u>(\$242,189)</u>

The primary sources of revenue for the Educational Service Center are derived from charges for services provided to contracting school districts within its boundaries, which represent approximately 87 percent of total revenues. The increase in charges for services and sales is primarily due to the expansion of services provided to member school districts, with increases in the number of school districts and students served in fiscal year 2020. Operating grants and contributions, which represent approximately 9 percent of total governmental revenues, were comparable to the prior fiscal year.

Program expenses of the Educational Service Center represent the costs of providing services. Instruction expenses make up approximately 38 percent of the total governmental expenses. Of the instructional expenses, regular instruction and special instruction compose the most significant portions, with vocational instruction and student intervention services making up the remainder. Overall program expenses increased over the prior fiscal year, with the largest component of the increase resulting from increases in both pension and OPEB expenses. Although the Educational Service Center's total OPEB expense remained negative, it changed from a negative expense of \$1,677,682 in the prior fiscal year to a negative OPEB expense of \$241,271 in fiscal year 2020. Besides the changes related to pension and OPEB expenses, increases in regular and special instruction expenses and pupil and instructional staff support services contributed to the overall increase in expenses. These increases were primarily a result of increases in salaries and benefits expense related to an increase in the number certified employees as the Educational Service Center expanded services provided to member school districts.

East Central Ohio Educational Service Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2020 compared to fiscal year 2019. In other words, it identifies the cost of those services supported by unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction:				
Regular	\$3,119,568	\$2,224,426	(\$1,296,069)	(\$1,318,008)
Special	3,587,550	2,561,006	(1,667,546)	(1,893,715)
Vocational	78,766	55,706	(37,361)	(55,369)
Student Intervention Services	25,321	7,289	(11,996)	(8,698)
Support Services:				
Pupil	4,070,498	3,306,867	1,517,665	881,117
Instructional Staff	3,928,607	2,326,785	1,296,847	640,319
Board of Education	36,895	43,315	13,119	14,886
Administration	1,154,958	997,591	480,078	268,168
Fiscal	650,805	525,826	244,447	190,883
Business	524,579	660,197	166,603	199,462
Operation and Maintenance of Plant	295,571	312,544	93,125	138,916
Pupil Transportation	4,740	15,934	6	6,067
Central	426,643	283,146	155,730	91,183
Food Service Operations	121,876	97,955	0	11,127
Interest and Fiscal Charges	3,554	4,502	3,554	4,502
<i>Total Expenses</i>	<u><u>\$18,029,931</u></u>	<u><u>\$13,423,089</u></u>	<u><u>\$958,202</u></u>	<u><u>(\$829,160)</u></u>

The Educational Service Center relies on program revenues to support its operations, which were not sufficient in fiscal year 2020.

The Educational Service Center Funds

Information about the Educational Service Center's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The Educational Service Center reports one major fund, the General Fund. The General Fund accounts for the vast majority of services provided by the Educational Service Center. For fiscal year 2020, the General Fund had increases in both revenues and expenditures resulting in an increase in fund balance. The increase in revenue was primarily caused by increases tuition and fees and charges for services. This was partly offset by an increase in expenditures, notably regular and special instruction and instructional staff support services. These changes came about as the Educational Service Center served an increasing number of students and school districts while continuing to expand services provided to participating entities.

East Central Ohio Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the Educational Service Center had \$1,662,361 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 8 for more detailed information of the Educational Service Center's capital assets.

Debt

At June 30, 2020, the Educational Service Center had \$63,155 in outstanding capital lease obligations. Of this total, \$21,321 is due within one year. See Note 14 for more information on the Educational Service Center's long-term obligations, including net pension liability, net OPEB liability, and compensated absences.

Challenges and Opportunities

Cambridge City School District, East Guernsey Local School District, and Rolling Hills Local School District have approved resolutions to formally align as member districts effective July 1, 2021, through June 30, 2023. The Educational Service Center began providing a substantial amount of services to Cambridge City School District and East Guernsey Local School District in fiscal year 2020.

Overall, the Educational Service Center remains financially stable. As the preceding information shows, the Educational Service Center relies heavily on service contracts with local, city and exempted village school districts, and other entities within the five county areas. The future of the Educational Service Center is dependent upon maintaining stability in a very difficult budget environment. These challenges include legislative reductions to State funding for educational service centers. In anticipation of these challenges, the Educational Service Center will need to continue to provide its services to school districts and other community entities in the most cost effective manner available. One such initiative is a Shared Services Collaboration with other educational service centers and local governments. The Educational Service Center will continue to identify possible sources of revenue generating activities, such as expanding Distance Learning Services to school districts across the State, and throughout the United States. The Educational Service Center's system of financial management and internal controls is well regarded, and all of its financial abilities will be needed to meet the financial challenges in the future.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Matt King, Treasurer/CFO, at East Central Ohio Educational Service Center, 834 East High Avenue, New Philadelphia, Ohio 44663.

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East Central Ohio Educational Service Center

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,542,539
Intergovernmental Receivable	1,952,320
Accounts Receivable	12,117
Prepaid Items	17,045
Net OPEB Asset	902,759
Non-Depreciable Capital Assets	59,946
Depreciable Capital Assets, Net	<u>1,602,415</u>
<i>Total Assets</i>	<u>7,089,141</u>
Deferred Outflows of Resources	
Pension	4,146,295
OPEB	<u>508,779</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,655,074</u>
Liabilities	
Accounts Payable	55,288
Accrued Wages and Benefits Payable	787,629
Intergovernmental Payable	155,041
Matured Compensated Absences Payable	10,013
Long-Term Liabilities:	
Due Within One Year	189,151
Due in More Than One Year:	
Net Pension Liability	16,496,666
Net OPEB Liability	1,881,948
Other Amounts	<u>180,601</u>
<i>Total Liabilities</i>	<u>19,756,337</u>
Deferred Inflows of Resources	
Pension	1,660,070
OPEB	<u>2,003,483</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,663,553</u>
Net Position	
Net Investment in Capital Assets	1,599,206
Restricted for:	
State Funded Programs	3,684
Federally Funded Programs	32,350
Unrestricted (Deficit)	<u>(13,310,915)</u>
<i>Total Net Position</i>	<u><u>(\$11,675,675)</u></u>

See accompanying notes to the basic financial statements

East Central Ohio Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2020

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Regular	\$3,119,568	\$3,959,440	\$456,197	\$1,296,069
Special	3,587,550	4,874,979	380,117	1,667,546
Vocational	78,766	116,127	0	37,361
Student Intervention Services	25,321	37,317	0	11,996
Support Services:				
Pupil	4,070,498	2,495,176	57,657	(1,517,665)
Instructional Staff	3,928,607	2,126,006	505,754	(1,296,847)
Board of Education	36,895	23,776	0	(13,119)
Administration	1,154,958	674,880	0	(480,078)
Fiscal	650,805	406,358	0	(244,447)
Business	524,579	255,711	102,265	(166,603)
Operation and Maintenance of Plant	295,571	198,209	4,237	(93,125)
Pupil Transportation	4,740	0	4,734	(6)
Central	426,643	269,493	1,420	(155,730)
Food Service Operations	121,876	0	121,876	0
Interest and Fiscal Charges	3,554	0	0	(3,554)
<i>Total</i>	<u>\$18,029,931</u>	<u>\$15,437,472</u>	<u>\$1,634,257</u>	<u>(958,202)</u>

General Revenues

Grants and Entitlements not Restricted to Specific Programs	662,786
Investment Earnings	24,164
Miscellaneous	29,063
<i>Total General Revenues</i>	<u>716,013</u>
<i>Change in Net Position</i>	(242,189)
<i>Net Position Beginning of Year</i>	<u>(11,433,486)</u>
<i>Net Position End of Year</i>	<u><u>(\$11,675,675)</u></u>

See accompanying notes to the basic financial statements

East Central Ohio Educational Service Center

*Balance Sheet
Governmental Funds
June 30, 2020*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,542,539	\$0	\$2,542,539
Receivables:			
Accounts	12,117	0	12,117
Intergovernmental	1,430,296	522,024	1,952,320
Interfund	458,325	0	458,325
Prepaid Items	17,045	0	17,045
<i>Total Assets</i>	<u>\$4,460,322</u>	<u>\$522,024</u>	<u>\$4,982,346</u>
Liabilities			
Accounts Payable	\$43,873	\$11,415	\$55,288
Accrued Wages and Benefits	773,325	14,304	787,629
Intergovernmental Payable	152,250	2,791	155,041
Interfund Payable	0	458,325	458,325
Matured Compensated Absences Payable	10,013	0	10,013
<i>Total Liabilities</i>	<u>979,461</u>	<u>486,835</u>	<u>1,466,296</u>
Deferred Inflows of Resources			
Unavailable Revenue	1,011,552	23,211	1,034,763
Fund Balances			
Nonspendable:			
Prepaid Items	17,045	0	17,045
Restricted for:			
Federal Programs	0	13,028	13,028
Assigned to:			
Purchases on Order	221,003	0	221,003
Unassigned (Deficit)	2,231,261	(1,050)	2,230,211
<i>Total Fund Balances</i>	<u>2,469,309</u>	<u>11,978</u>	<u>2,481,287</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,460,322</u>	<u>\$522,024</u>	<u>\$4,982,346</u>

See accompanying notes to the basic financial statements

East Central Ohio Educational Service Center
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2020*

Total Governmental Fund Balances \$2,481,287

*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. 1,662,361

Other long-term assets are not available to pay for current-
period expenditures and therefore are unavailable in the funds:

Intergovernmental Grants	24,144	
Charges for Services	1,010,619	

Total 1,034,763

The net OPEB asset and net pension/OPEB liabilities are not due and
payable in the current period; therefore, the asset, liability and related
deferred outflows/inflows are not reported in the governmental funds:

Net OPEB Asset	902,759	
Deferred Outflows - Pension	4,146,295	
Deferred Outflows - OPEB	508,779	
Net Pension Liability	(16,496,666)	
Net OPEB Liability	(1,881,948)	
Deferred Inflows - Pension	(1,660,070)	
Deferred Inflows - OPEB	(2,003,483)	

Total (16,484,334)

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds:

Capital Leases	(63,155)	
Compensated Absences	(306,597)	

Total (369,752)

Net Position of Governmental Activities (\$11,675,675)

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	\$765,027	\$1,550,357	\$2,315,384
Interest	24,164	0	24,164
Tuition and Fees	5,229,718	0	5,229,718
Contributions and Donations	35,000	0	35,000
Charges for Services	9,830,813	0	9,830,813
Miscellaneous	29,063	0	29,063
<i>Total Revenues</i>	<u>15,913,785</u>	<u>1,550,357</u>	<u>17,464,142</u>
Expenditures			
Current:			
Instruction:			
Regular	2,499,290	457,229	2,956,519
Special	3,082,371	276,252	3,358,623
Vocational	73,335	0	73,335
Student Intervention Services	23,566	0	23,566
Support Services:			
Pupil	3,765,751	54,849	3,820,600
Instructional Staff	3,167,815	505,253	3,673,068
Board of Education	36,942	0	36,942
Administration	1,031,904	0	1,031,904
Fiscal	607,372	0	607,372
Business	391,933	102,385	494,318
Operation and Maintenance of Plant	300,159	4,028	304,187
Pupil Transportation	0	4,740	4,740
Central	403,130	1,350	404,480
Food Service Operations	0	121,876	121,876
Capital Outlay	151,087	0	151,087
Debt Service:			
Principal Retirement	20,326	0	20,326
Interest and Fiscal Charges	3,554	0	3,554
<i>Total Expenditures</i>	<u>15,558,535</u>	<u>1,527,962</u>	<u>17,086,497</u>
<i>Net Change in Fund Balances</i>	355,250	22,395	377,645
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>2,114,059</u>	<u>(10,417)</u>	<u>2,103,642</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,469,309</u></u>	<u><u>\$11,978</u></u>	<u><u>\$2,481,287</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$377,645

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

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

Capital Asset Additions	292,160	
Current Year Depreciation	(157,852)	
Total	134,308	134,308

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Intergovernmental	(18,341)	
Contributions and Donations	(35,000)	
Charges for Services	376,941	
Total	323,600	323,600

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows:

Pension	1,406,665	
OPEB	36,734	
Total	1,443,399	1,443,399

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset or liability are reported as pension/OPEB expense in the Statement of Activities:

Pension	(2,749,576)	
OPEB	241,271	
Total	(2,508,305)	(2,508,305)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 20,326

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (33,162)

Change in Net Position of Governmental Activities (\$242,189)

See accompanying notes to the basic financial statements

East Central Ohio Educational Service Center, Ohio

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 East Central Ohio Educational Service Center (Educational Service Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio and as defined by Section 3313.01 of the Ohio Revised Code. The Educational Service Center is a result of the August 1, 2009, merger of the Tuscarawas-Carroll-Harrison Educational Service Center and the Belmont County Educational Service Center, under the authority of the Ohio Revised Code Section 3311.057 and resolutions made by the Governing Boards.

The Educational Service Center operates under an elected seven-member Governing Board. This Board acts as the authorizing body for expenditures, policy and procedures and approves all financial activities. The Educational Service Center supplies supervisory, administrative and other needed services to participating school districts. The Educational Service Center is staffed by 121 non-certified employees and 217 certified employees to provide services to approximately 25,249 students in 19 districts throughout Tuscarawas, Carroll, Harrison, Guernsey and Belmont counties.

Reporting Entity

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the East Central Ohio Educational Service Center, this includes general operations and student related activities.

The Educational Service Center participates in the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments which is defined as a jointly governed organization. The Educational Service Center also participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, the Ohio School Plan, and the Ohio School Benefits Cooperative, which are defined as insurance purchasing pools. These organizations are presented in Notes 16 and 17.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service 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 more significant of the Educational Service Center's accounting policies are described as follows.

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Basis of Presentation

The Educational Service 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.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Educational Service Center that are governmental (primarily supported by intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The Educational Service Center, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center. 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 Educational Service Center.

Fund Financial Statements During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. The Educational Service Center's major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Educational Service Center are all governmental funds.

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

General Fund The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

East Central Ohio Educational Service Center, Ohio

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Revenues – Exchange and NonExchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, provided the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Educational Service 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 fiscal year-end: intergovernmental grants, tuition and fees, contributions and donations, and charges for services.

East Central Ohio Educational Service Center, Ohio

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

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service Center, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

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 until that time. For the Educational Service Center, deferred inflows of resources include pension, OPEB plans and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes intergovernmental grants and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. (See Notes 10 and 11.)

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

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

Cash and Cash Equivalents

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2020, investments were limited to STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, Certain External Investment Pools and Pool Participants. The Educational Service Center measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

East Central Ohio Educational Service Center, Ohio

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Investment earnings are assigned to the General Fund. Interest revenue credited to the General Fund during fiscal year 2020 amounted to \$24,164, none of which was assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as Equity in Pooled Cash and Cash Equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Receivables and Payables

Receivables and payables on the Educational Service Center's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

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 an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Educational Service Center's capitalization threshold is \$25,000 for land improvements and buildings and improvements, and \$5,000 for all others. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The Educational Service Center does not possess infrastructure.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	5-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-20 years

East Central Ohio Educational Service Center, Ohio

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

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 Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after ten years of service with one of the State retirement systems.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be paid.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), 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.

Accrued Liabilities and Long-Term Obligations

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

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

Interfund Balances

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 of the Statement of Net Position.

East Central Ohio Educational Service Center, Ohio

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or an Educational Service Center official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

Unassigned The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Educational Service 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 the amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources and 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 is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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 – CHANGES IN ACCOUNTING PRINCIPLES

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Educational Service Center evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the Educational Service Center implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the Educational Service Center's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Educational Service Center are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Educational Service 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;

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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 previously, 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); and
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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate 5 percent of interim moneys available for investment at the time of purchase.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2020, \$1,212,934 of the Educational Service Center's total bank balance of \$1,462,934 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

The Educational Service 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:

East Central Ohio Educational Service Center, Ohio

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

Eligible securities pledged to the Educational Service 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 percent 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 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2020, the Educational Service Center only had an investment of \$1,214,295 in STAR Ohio, the State Treasurer's investment pool. This investment has an average maturity of 41.5 days.

Interest Rate Risk The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center has no investment policy that addresses credit risk.

NOTE 5 – STATE FUNDING

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's local school districts based on each school's total student count.

The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of local school districts agree to the services and the apportionment of the costs to all of the local school districts.

The Educational Service Center also receives funding from the State Department of Education in the amount of \$26.00 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Educational Service Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Educational Service Center.

East Central Ohio Educational Service Center, Ohio

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

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

NOTE 6 – INTERFUND BALANCES

Interfund balances at June 30, 2020, consisted of the following:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General</u>
<i>Other Governmental Funds:</i>	
Miscellaneous State Grants	\$15,555
Striving Readers Grant	67,836
Miscellaneous Federal Grants	175,734
21st Century Grant	199,200
Total	<u><u>\$458,325</u></u>

The loans made to the other governmental funds were used to cover actual cash deficits until grant monies are received to operate the programs. The cash deficits were covered by cash and cash equivalents from the General Fund.

NOTE 7 – RECEIVABLES

Receivables at June 30, 2020, consisted of accounts receivable and intergovernmental grants and charges for services. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Payments for Services	\$1,358,543
21st Century Grant	199,200
Title I-D Grants	153,753
Striving Readers Comprehensive Literacy Program	85,529
St. Clairsville-Richland City School District Fox Run Agreement	70,820
IDEA - Early Childhood Special Education Grant	47,009
ESC State Trainers - OTES 2.0 Grant	13,405
School Psychology Intern Grant	11,669
TANF and WIOA Grants	11,459
Fiscal Year 2020 School Foundation Adjustment	933
Total	<u><u>\$1,952,320</u></u>

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 8 – CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/2020</u>
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$59,946	\$0	\$0	\$59,946
Depreciable Capital Assets:				
Land Improvements	150,414	0	0	150,414
Buildings and Improvements	2,317,553	274,770	0	2,592,323
Furniture and Equipment	642,878	17,390	0	660,268
Vehicles	146,568	0	0	146,568
Total Depreciable Capital Assets	<u>3,257,413</u>	<u>292,160</u>	<u>0</u>	<u>3,549,573</u>
Accumulated Depreciation:				
Land Improvements	(94,542)	(5,248)	0	(99,790)
Buildings and Improvements	(1,146,378)	(75,151)	0	(1,221,529)
Furniture and Equipment	(474,163)	(67,047)	0	(541,210)
Vehicles	(74,223)	(10,406)	0	(84,629)
Total Accumulated Depreciation	<u>(1,789,306)</u>	<u>(157,852) *</u>	<u>0</u>	<u>(1,947,158)</u>
Total Depreciable Capital Assets, Net	<u>1,468,107</u>	<u>134,308</u>	<u>0</u>	<u>1,602,415</u>
Governmental Activities Capital Assets, Net	<u>\$1,528,053</u>	<u>\$134,308</u>	<u>\$0</u>	<u>\$1,662,361</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$14,730
Support Services:	
Instructional Staff	39,098
Administration	65,731
Fiscal	2,240
Business	29,245
Operation and Maintenance of Plant	<u>6,808</u>
Total Depreciation Expense	<u>\$157,852</u>

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 9 – RISK MANAGEMENT

Property, Fleet, and General Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the Educational Service Center contracted with The Hylant Insurance Company for commercial property insurance.

Building and Contents - replacement cost (\$1,000 deductible)	\$6,671,025
Automotive Liability (\$500 deductible)	2,000,000
Uninsured Motorist (\$500 deductible)	1,000,000
Medical Payments Limit	5,000
<i>General Liability:</i>	
Each Occurrence	2,000,000
Aggregated Limit	4,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence (\$2,500 deductible)	2,000,000
Aggregated Limit	4,000,000
<i>Employer's Liability:</i>	
Each Occurrence	2,000,000
Disease - Each Employee	2,000,000
Disease - Limit	2,000,000
<i>Legal Liability - Errors and Omission:</i>	
Each Wrongful Act	2,000,000
Aggregate Limit	4,000,000
<i>Sexual Misconduct Liability:</i>	
Each Loss	2,000,000
Aggregate Limit	2,000,000

Settled claims have not exceeded coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Workers' Compensation

For fiscal year 2020, the Educational Service Center participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating members is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all members within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm of CompManagement, a Sedgwick CMS Company, provides administrative, cost control and actuarial services to the GRP.

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Employee Insurance Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance for all full-time employees through the Unum Life Insurance Company of America, administered by Unum Provident, in the amount of \$50,000 per employee. The Educational Service Center has elected to provide health care benefits to employees and administrators through the Ohio Schools Benefit Cooperative which is maintained by the Muskingum Valley Educational Service Center. The employees share the cost of the monthly premium with the Board.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also include 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 health care to eligible benefit recipients.

East Central Ohio Educational Service Center, Ohio

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

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

Plan Description – Educational Service Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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	Age 65 with at least 5 years of creditable service or any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit 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 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, and the Educational Service Center 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 Educational Service Center’s contractually required contribution to SERS was \$403,539 for fiscal year 2020. Of this amount, \$12,456 is reported as an intergovernmental payable.

East Central Ohio Educational Service Center, Ohio

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Plan Description – State Teachers Retirement System (STRS)

Plan Description – Educational Service Center 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 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 5 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.

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 50 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.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The Educational Service Center's contractually required contribution to STRS was \$1,003,126 for fiscal year 2020. Of this amount, \$81,670 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center'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>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.06803330%	0.04920009%	
Current Measurement Date	<u>0.07425620%</u>	<u>0.05450651%</u>	
 Change in Proportionate Share	 <u>0.00622290%</u>	 <u>0.00530642%</u>	
 Proportionate Share of the Net Pension Liability	 \$4,442,879	 \$12,053,787	 \$16,496,666
Pension Expense	\$736,365	\$2,013,211	\$2,749,576

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$112,662	\$98,138	\$210,800
Changes of assumptions	0	1,415,950	1,415,950
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	243,917	868,963	1,112,880
Educational Service Center contributions subsequent to the measurement date	<u>403,539</u>	<u>1,003,126</u>	<u>1,406,665</u>
Total Deferred Outflows of Resources	<u>\$760,118</u>	<u>\$3,386,177</u>	<u>\$4,146,295</u>

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$52,178	\$52,178
Net difference between projected and actual earnings on pension plan investments	57,030	589,124	646,154
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	<u>77,695</u>	<u>884,043</u>	<u>961,738</u>
Total Deferred Inflows of Resources	<u>\$134,725</u>	<u>\$1,525,345</u>	<u>\$1,660,070</u>

\$1,406,665 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$225,281	\$706,842	\$932,123
2022	(31,974)	26,036	(5,938)
2023	(3,795)	(143,920)	(147,715)
2024	<u>32,342</u>	<u>268,748</u>	<u>301,090</u>
Total	<u>\$221,854</u>	<u>\$857,706</u>	<u>\$1,079,560</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.

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.

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For the Fiscal Year Ended June 30, 2020*

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment 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 setback 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 Stocks	22.50	4.75
Non-US Stocks	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 earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 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%)
Educational Service Center's proportionate share of the net pension liability	\$6,226,061	\$4,442,879	\$2,947,457

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 as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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:

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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 percent and do 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 previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' 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 Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's proportionate share of the net pension liability	\$17,615,267	\$12,053,787	\$7,345,709

East Central Ohio Educational Service Center, Ohio

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

NOTE 11 – DEFINED BENEFIT OPEB PLANS

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

Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For 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 Educational Service Center's surcharge obligation was \$36,734.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was \$36,734 for fiscal year 2020. Of this amount, \$36,734 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization,

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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 postemployment 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 postemployment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.06857270%	0.04920009%	
Current Measurement Date	<u>0.07483520%</u>	<u>0.05450651%</u>	
Change in Proportionate Share	<u>0.00626250%</u>	<u>0.00530642%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,881,948	\$0	\$1,881,948
Net OPEB Asset	0	(902,759)	(902,759)
OPEB Expense	78,221	(319,492)	(241,271)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$27,625	\$81,841	\$109,466
Changes of assumptions	137,455	18,976	156,431
Net difference between projected and actual earnings on OPEB plan investments	4,517	0	4,517
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	171,059	30,572	201,631
Educational Service Center contributions subsequent to the measurement date	<u>36,734</u>	<u>0</u>	<u>36,734</u>
Total Deferred Outflows of Resources	<u>\$377,390</u>	<u>\$131,389</u>	<u>\$508,779</u>

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$413,451	\$45,929	\$459,380
Changes of assumptions	105,459	989,769	1,095,228
Net difference between projected and actual earnings on OPEB plan investments	0	56,700	56,700
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	<u>163,248</u>	<u>228,927</u>	<u>392,175</u>
Total Deferred Inflows of Resources	<u>\$682,158</u>	<u>\$1,321,325</u>	<u>\$2,003,483</u>

\$36,734 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(\$97,053)	(\$258,599)	(\$355,652)
2022	(65,149)	(258,600)	(323,749)
2023	(63,823)	(235,875)	(299,698)
2024	(64,039)	(227,904)	(291,943)
2025	(40,441)	(216,653)	(257,094)
Thereafter	<u>(10,997)</u>	<u>7,695</u>	<u>(3,302)</u>
Total	<u>(\$341,502)</u>	<u>(\$1,189,936)</u>	<u>(\$1,531,438)</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.

East Central Ohio Educational Service Center, Ohio

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

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return 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 SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

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

East Central Ohio Educational Service Center, Ohio

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

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 Educational Service Center’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the Educational Service Center’s proportionate share of the net OPEB liability for SERS and what the Educational Service Center’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the Educational Service Center’s proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Educational Service Center's proportionate share of the net OPEB liability	\$2,284,328	\$1,881,948	\$1,562,009

	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%)
Educational Service Center's proportionate share of the net OPEB liability	\$1,507,821	\$1,881,948	\$2,378,323

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 as follows:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

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.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes 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.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the Educational Service Center's proportionate share of the net OPEB asset calculated using the current period discount rate assumption of 7.45 percent, as well as what the Educational Service Center's proportionate share of 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 Educational Service Center's proportionate share of 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.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Educational Service Center's proportionate share of the net OPEB asset	\$770,325	\$902,759	\$1,014,105
		<u>Current Trend Rate</u>	<u>1% Increase</u>
Educational Service Center's proportionate share of the net OPEB asset	\$1,023,687	\$902,759	\$754,651

East Central Ohio Educational Service Center, Ohio

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

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administration employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 250 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 62.5 days. Any employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2020, five members of the Governing Board have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 – CAPITAL LEASE

In prior fiscal years, the Educational Service Center entered into capitalized leases for copying equipment. Capital lease payments have been reclassified from functional expenditures and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Assets acquired by governmental activities outstanding capitalized leases are reported net of accumulated depreciation in the amount of \$60,574. Principal payments in fiscal year 2020 totaled \$20,326 in the governmental funds.

Future minimum lease payments are as follows:

Fiscal Year Ending				
June 30,	Principal	Interest	Total	
2021	\$21,321	\$2,559	\$23,880	
2022	22,364	1,516	23,880	
2023	19,470	430	19,900	
Total	<u>\$63,155</u>	<u>\$4,505</u>	<u>\$67,660</u>	

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the Educational Service Center’s long-term obligations during fiscal year 2020 were as follows:

	<u>Outstanding 6/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2020</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net Pension Liability:					
SERS	\$3,896,393	\$546,486	\$0	\$4,442,879	\$0
STRS	10,817,995	1,235,792	0	12,053,787	0
Total Net Pension Liability	14,714,388	1,782,278	0	16,496,666	0
Net OPEB Liability - SERS	1,902,392	0	20,444	1,881,948	0
Capital Leases	83,481	0	20,326	63,155	21,321
Compensated Absences	273,435	73,945	40,783	306,597	167,830
Total Governmental Activities Long-Term Liabilities	<u>\$16,973,696</u>	<u>\$1,856,223</u>	<u>\$81,553</u>	<u>\$18,748,366</u>	<u>\$189,151</u>

There is no repayment schedule for the net pension liability or net OPEB liability. However, employer pension and OPEB contributions are made from the General Fund and from the miscellaneous state grants, miscellaneous federal grants, and 21st century grant special revenue funds. For additional information related to the net pension liability and the net OPEB liability see notes 10 and 11, respectively.

The capital lease will be paid from the General Fund. Compensated absences will be paid from the General Fund.

NOTE 15 – ENCUMBRANCES

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$264,976
Other Governmental Funds	<u>93,649</u>
Total	<u>\$358,625</u>

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board composed of a representative from each participating school district. The Board exercises total control over the operations of OME-RESA including budgeting, appropriating,

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

contracting, and designating management. Each participant's control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2020, the total amount paid to OME-RESA from the Educational Service Center was \$23,777 for technology services, financial accounting services, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

NOTE 17 – PUBLIC ENTITY POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Educational Service Center's enrollment fee of \$700 for policy year 2020 was paid to Muskingum Valley Educational Service Center.

Ohio School Plan

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Hylant Administrative Services and a partner of the Hylant Group, Incorporated. Hylant Group, Incorporated, is the Administrator of the OSP and is responsible for processing claims. Hylant Administrative Service is the sales and marketing representative, which establishes agreements between OSP and member schools.

Ohio School Benefits Cooperative

The Educational Service Center participates in the Ohio School Benefits Cooperative (OSBC), a claims servicing and group purchasing pool. The OSBC is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups of school districts join them for the same purposes. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants.

East Central Ohio Educational Service Center, Ohio

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

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual is the Administrator of the OSBC. The Educational Service Center participates in the joint insurance purchasing program for medical, prescription drug, and dental coverage.

NOTE 18 – CONTINGENCIES

Grants

The Educational Service 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2020.

Foundation Funding

Educational Service Center Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The impact of the FTE adjustments resulted in an immaterial receivable to the Educational Service Center.

Litigation

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

NOTE 19 – ACCOUNTABILITY

At June 30, 2020, the Educational Service Center had deficit fund balances of \$205 and \$845 in the miscellaneous state grants and 21st century grant special revenue funds, respectively. The special revenue funds' deficits resulted from adjustments for accrued liabilities as well as interfund payables. The General Fund provided money to operate the programs until grants and other monies are received and the advances can be repaid. The General Fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

East Central Ohio Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 20 – COVID-19

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

Required Supplementary Information

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

	2020	2019	2018	2017
Educational Service Center's Proportion of the Net Pension Liability	0.07425620%	0.06803330%	0.07484670%	0.07108500%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$4,442,879	\$3,896,393	\$4,471,925	\$5,202,766
Educational Service Center's Covered Payroll	\$2,547,407	\$2,225,607	\$2,300,593	\$2,216,300
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.41%	175.07%	194.38%	234.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Educational Service Center's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.07053810%	0.07361000%	0.07361000%
\$4,024,972	\$3,725,360	\$4,377,350
\$2,123,566	\$2,138,968	\$2,177,327
189.54%	174.17%	201.04%
69.16%	71.70%	65.52%

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

	2020	2019	2018	2017
Educational Service Center's Proportion of the Net Pension Liability	0.05450651%	0.04920009%	0.05605737%	0.05688500%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$12,053,787	\$10,817,995	\$13,316,547	\$19,041,124
Educational Service Center's Covered Payroll	\$6,448,993	\$5,676,393	\$5,937,236	\$6,162,321
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.91%	190.58%	224.29%	308.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Educational Service Center's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.05542284%	0.04972006%	0.04972006%
\$15,317,252	\$12,093,639	\$14,405,864
\$5,922,271	\$5,080,015	\$5,045,400
258.64%	238.06%	285.52%
72.10%	74.70%	69.30%

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

	2020	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.07483520%	0.06857270%	0.07586100%	0.07199520%
Educational Service Center's Proportionate Share of the Net OPEB Liability	\$1,881,948	\$1,902,392	\$2,035,911	\$2,052,130
Educational Service Center's Covered Payroll	\$2,547,407	\$2,225,607	\$2,300,593	\$2,216,300
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	73.88%	85.48%	88.50%	92.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Educational Service Center's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Educational Service Center's Proportion of the Net OPEB (Asset) Liability	(0.05450651%)	(0.04920009%)	0.05605737%	0.05688500%
Educational Service Center's Proportionate Share of the Net OPEB (Asset) Liability	(\$902,759)	(\$790,597)	\$2,187,152	\$3,042,225
Educational Service Center's Covered Payroll	\$6,448,993	\$5,676,393	\$5,937,236	\$6,162,321
Educational Service Center's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	(14.00%)	(13.93%)	36.84%	49.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the Educational Service Center's measurement date, which is the prior year end.

See accompanying notes to required supplementary information
See accountant's compilation report

East Central Ohio Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$403,539	\$343,900	\$300,457	\$322,083
Contributions in Relation to the Contractually Required Contribution	<u>(403,539)</u>	<u>(343,900)</u>	<u>(300,457)</u>	<u>(322,083)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center's Covered Payroll (1)	\$2,882,421	\$2,547,407	\$2,225,607	\$2,300,593
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$36,734	\$52,496	\$46,188	\$40,925
Contributions in Relation to the Contractually Required Contribution	<u>(36,734)</u>	<u>(52,496)</u>	<u>(46,188)</u>	<u>(40,925)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.27%</u>	<u>2.06%</u>	<u>2.08%</u>	<u>1.78%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.27%</u>	<u>15.56%</u>	<u>15.58%</u>	<u>15.78%</u>

(1) The Educational Service Center's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$310,282	\$279,886	\$296,461	\$301,342	\$257,660	\$210,994
<u>(310,282)</u>	<u>(279,886)</u>	<u>(296,461)</u>	<u>(301,342)</u>	<u>(257,660)</u>	<u>(210,994)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,216,300	\$2,123,566	\$2,138,968	\$2,177,327	\$1,915,688	\$1,678,552
<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>
\$36,252	\$53,649	\$39,927	\$39,750	\$42,386	\$51,438
<u>(36,252)</u>	<u>(53,649)</u>	<u>(39,927)</u>	<u>(39,750)</u>	<u>(42,386)</u>	<u>(51,438)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.64%</u>	<u>2.53%</u>	<u>1.87%</u>	<u>1.83%</u>	<u>2.21%</u>	<u>3.06%</u>
<u>15.64%</u>	<u>15.71%</u>	<u>15.73%</u>	<u>15.67%</u>	<u>15.66%</u>	<u>15.63%</u>

East Central Ohio Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$1,003,126	\$902,859	\$794,695	\$831,213
Contributions in Relation to the Contractually Required Contribution	<u>(1,003,126)</u>	<u>(902,859)</u>	<u>(794,695)</u>	<u>(831,213)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center's Covered Payroll (1)	\$7,165,186	\$6,448,993	\$5,676,393	\$5,937,236
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB (Asset) Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The Educational Service Center's covered payroll is the same for pension and OPEB.

See accompanying notes to the required supplementary information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$862,725	\$829,118	\$660,402	\$655,902	\$566,494	\$522,298
<u>(862,725)</u>	<u>(829,118)</u>	<u>(660,402)</u>	<u>(655,902)</u>	<u>(566,494)</u>	<u>(522,298)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,162,321	\$5,922,271	\$5,080,015	\$5,045,400	\$4,357,646	\$4,017,677
<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$50,800	\$50,454	\$43,576	\$40,177
<u>0</u>	<u>0</u>	<u>(50,800)</u>	<u>(50,454)</u>	<u>(43,576)</u>	<u>(40,177)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

East Central Ohio Educational Service Center

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

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	<u>Beginning in Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age setback for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	<u>Beginning in Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity 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. 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

East Central Ohio Educational Service Center

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

females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no setback for age 90 and above. Females younger than age 80 are set back four years, one year setback from age 80 through 89, and no setback from age 90 and above.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.70 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 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.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

East Central Ohio Educational Service Center

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

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

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$32,072
COVID-19 School Breakfast Program	10.553	N/A	11,490
National School Lunch Program	10.555	N/A	62,247
COVID-19 National School Lunch Program	10.555	N/A	22,481
Total Child Nutrition Cluster			<u>128,290</u>
Total U.S. Department of Agriculture			128,290
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A180035 S010A190035	10,417 <u>297,132</u>
Total Title I Grants to Local Educational Agencies			307,549
Special Education Cluster:			
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A190119	<u>47,009</u>
Total Special Education Cluster			47,009
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	S425C200040	45,246
21st Century Community Learning Centers	84.287	S287C190035	720,927
Striving Readers Comprehensive Literacy Program	84.371	S371C170019	<u>168,819</u>
Total U.S. Department of Education			1,289,550
U.S. DEPARTMENT OF LABOR			
Passed Through the Belmont County Department of Jobs and Family Services			
WIOA Cluster:			
WIOA Youth Program	17.259	N/A	<u>23,584</u>
Total U.S. Department of Labor			<u>23,584</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the Belmont County Department of Jobs and Family Services			
TANF Cluster:			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	<u>55,029</u>
Total U.S. Department of Health and Human Services			<u>55,029</u>
Total Expenditures of Federal Awards			<u><u>\$1,496,453</u></u>

The accompanying notes are an integral part of this Schedule.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS 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 East Central Ohio Educational Service Center (the Educational Service Center's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Educational Service Center, it is not intended to and does not present the financial position or changes in net position of the East Central Ohio Educational Service 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 Educational Service Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

East Central Ohio Educational Service Center
Tuscarawas County
834 East High Avenue
New Philadelphia, Ohio 44663

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the East Central Ohio Educational Service Center, Tuscarawas County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated February 11, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Educational Service Center.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Educational Service 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 Educational Service 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 Educational Service 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 Educational Service 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 Educational Service Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Educational Service Center's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2021

OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

East Central Ohio Educational Service Center
Tuscarawas County
834 East High Avenue
New Philadelphia, Ohio 44663

To the Governing Board:

Report on Compliance for the Major Federal Program

We have audited East Central Ohio Educational Service Center's, Tuscarawas County, Ohio (the Educational Service 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 East Central Ohio Educational Service Center's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Educational Service Center's major federal program.

Management's Responsibility

The Educational Service 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 Educational Service Center's compliance for the Educational Service 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 Educational Service 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 Educational Service Center's major program. However, our audit does not provide a legal determination of the Educational Service Center's compliance.

Opinion on the Major Federal Program

In our opinion, East Central 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 Educational Service 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 Educational Service 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 Educational Service 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

February 11, 2021

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS 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):	Twenty-First Century Community Learning Centers - CFDA #84.287
(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



**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/25/2021

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

This report is a matter of public record and is available online at
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