OHIO AUDITOR OF STATE
KEITH FABER

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY

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KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Geauga County Educational Service Center
Geauga County
8221 Auburn Road
Concord Township, Ohio 44077

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Geauga County Educational Service Center, Geauga County, Ohio (the Center), as of and for the year ended June 30, 2019 and the period July 1, 2019 through December 31, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Geauga County Educational Service Center, Geauga County, Ohio, as of June 30, 2019 and for the period July 1, 2019 through December 31, 2019, and the respective changes in financial position thereof for the year and period then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the basic financial statements for the period July 1, 2019 through December 31, 2019, the Center ceased operations on December 31, 2019. On November 7, 2019, the Center's Governing Board and the Lake County Educational Service Center Governing Board passed a Joint Resolution to dissolve and merge into one educational service center, named the Educational Service Center of the Western Reserve effective January 1, 2020. On January 1, 2020, the Center's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance / net position was transferred to the Educational Service Center of the Western Reserve. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 22, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD JULY 1, 2019 THROUGH DECEMBER 31, 2019

The discussion and analysis of the Geauga County Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the period July 1, 2019 through December 31, 2019. On January 1, 2020, the Geauga County Educational Service Center and the Lake County Educational Service Center merged to become the Educational Service Center of the Western Reserve. The different year ends, as well as the number of months report in each period, limit the ability to report on variances. The intent of this discussion and analysis is to consider the Educational Service Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for the period July 1, 2019 through December 31, 2019 are as follows:

- The Educational Service Center ceased operations and merged with the Lake County Educational Service Center to form the Educational Service Center of the Western Reserve (the "ESC of the Western Reserve") on January 1, 2020. The ESC of the Western Reserve began operations on January 1, 2020. See Note 15 to the basic financial statements for detail.

- Net position of governmental activities decreased $483,842, which represents a 2.94% decrease from fiscal year 2019.

- General revenues accounted for $94,046 in revenue or 2.58% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for $3,556,805 or 97.42% of total revenues of $3,650,851.

- The Educational Service Center had $4,134,693 in expenses related to governmental activities, which were offset by program specific charges for services, grants or contributions of $3,556,805 to support the Educational Service Center's programs.

- The Educational Service Center's major governmental fund is the general fund. The general fund had $3,818,934 in revenues and $3,405,403 in expenditures. During the period July 1, 2019 through December 31, 2019, the general fund balance increased $413,531.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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.

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 the 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 nonmajor funds presented in total in one column. In the case of the Educational Service Center, the general fund is the most significant fund, and the only governmental fund reported as a major fund.

Reporting the Educational Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole contains all financial transactions and asks the question, "How did the Educational Service Center perform financially during the period July 1, 2019 through December 31, 2019?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net position and changes in net position. The change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial condition 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 the Educational Service Center's facility conditions, required educational programs and other factors.

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center used many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

Governmental Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the net pension liability and net OPEB liability/asset in this report after the notes to the basic financial statements.

The Educational Service Center as a Whole

Recall that the statement of net position provides the perspective of the Educational Service Center as a whole. The table below provides a summary of the Educational Service Center's net position for the period July 1, 2019 through December 31, 2019 and the fiscal year ended June 30, 2019:

Net Position

	Governmental Activities Period Ended December 31, 2019	Governmental Activities Fiscal Year Ended June 30, 2019
Assets		
Current and other assets	$ 1,311,878	$ 2,018,710
Net OPEB asset	695,029	765,716
Capital assets	1,035	3,785
Total assets	2,007,942	2,788,211
Deferred outflows of resources		
Pension	1,877,085	3,545,865
OPEB	389,979	193,959
Total deferred outflows of resources	2,267,064	3,739,824
Liabilities		
Current liabilities	17,649	856,450
Long-term liabilities:		
Due within one year	61,208	70,719
Due in more than one year:		
Net pension liability	14,249,845	14,962,407
Net OPEB liability	2,090,389	2,189,013
Other amounts	179,899	150,988
Total liabilities	16,598,990	18,229,577
Deferred inflows of resources		
Pension	2,815,760	2,901,673
OPEB	1,807,017	1,859,704
Total deferred inflows of resources	4,622,777	4,761,377
Net Position		
Net investment in capital assets	1,035	3,785
Restricted	42,156	42,633
Unrestricted (deficit)	(16,989,952)	(16,509,337)
Total net position (deficit)	$ (16,946,761)	$ (16,462,919)

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the Educational Service Center's statements prepared on an accrual basis of accounting included an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Comparative information for change in net position for the two most recent financial reporting periods is available; however, the data for the period July 1, 2019 through December 31, 2019 consists of only six months of financial transactions compared to twelve months for the fiscal year ended June 30, 2019. The table below shows the changes in net position for the period July 1, 2019 through December 31, 2019 and fiscal year 2019:

Changes in Net Position

	Governmental Activities Period Ended December 31, 2019	Governmental Activities Fiscal Year Ended June, 2019
Revenues		
Program revenues:		
Charges for services and sales	$ 3,452,414	$ 8,940,108
Operating grants and contributions	104,391	347,794
General revenues:		
Grants and entitlements	65,874	132,157
Investment earnings	11,958	16,334
Miscellaneous	16,214	277,994
Total revenues	3,650,851	9,714,387
Expenses		
Program expenses:		
Instruction:		
Regular	53,245	4,200
Special	1,844,972	3,966,273
Vocational	317,339	618,333
Support services:		
Pupil	991,666	1,600,301
Instructional staff	242,744	431,886
Board of education	20,186	36,776
Administration	398,166	726,958
Fiscal	212,637	265,158
Business	15,588	27,889
Operations and maintenance	6,118	28,378
Pupil transportation	2,846	6,444
Central	29,186	119,759
Total expenses	4,134,693	7,832,355
Change in net position	(483,842)	1,882,032
Net position (deficit) at beginning of year	(16,462,919)	(18,344,951)
Net position (deficit) at end of year	$ (16,946,761)	$ (16,462,919)

Governmental Activities

Total governmental expenses of $4,134,693 were offset by program revenues of $3,556,805 and general revenues of $94,046. Program revenues supported 86.02% of the total governmental expenses for the period ended December 31, 2019.

The primary sources of revenue for governmental activities was derived from charges for services. This revenue source represents 94.56% of total governmental revenue during the period July 1, 2019 through December 31, 2019. The Educational Service Center received state and federal grant funding through the Public School Preschool, Miscellaneous State Grants, IDEA Part B, Title I, Improving Teacher Quality, and Miscellaneous Federal Grants and Preschool IDEA programs.

The largest expense of the Educational Service Center was for instructional services. Instructional services expenses totaled $2,215,556 or 53.58% of total governmental expenses for the period July 1, 2019 through December 31, 2019.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Comparative information for governmental activities total cost of services and net cost of services for the two most recent financial reporting periods is available; however, the data for the period July 1, 2019 through December 31, 2019 consists of only six months of financial transactions compared to twelve months for the fiscal year ended June 30, 2019. The table below shows the changes in net position for the period July 1, 2019 through December 31, 2019 and fiscal year 2019 and identifies the costs of these services supported by unrestricted State foundation, investment earnings and miscellaneous revenues.

	Total Cost of Services Period Ended December 31, 2019	Net Cost of Services Period Ended December 31, 2019	Total Cost of Services Fiscal Year June 30, 2019	Net Cost of Services Fiscal Year June 30, 2019
Program expenses				
Instruction:				
Regular	$ 53,245	$ (39,963)	$ 4,200	$ 1,251
Special	1,844,972	(200,510)	3,966,273	(466,598)
Vocational	317,339	(29,596)	618,333	(80,443)
Support services:				
Pupil	991,666	(177,508)	1,600,301	(533,732)
Instructional staff	242,744	(22,948)	431,886	(107,734)
Board of education	20,186	(1,428)	36,776	(1,005)
Administration	398,166	(76,030)	726,958	(195,820)
Fiscal	212,637	(27,100)	265,158	(51,063)
Business	15,588	62	27,889	2,687
Operations and maintenance	6,118	84	28,378	2,502
Pupil transportation	2,846	(1,046)	6,444	1,969
Central	29,186	(1,905)	119,759	(27,561)
Total expenses	$ 4,134,693	$ (577,888)	$ 7,832,355	$ (1,455,547)

Governmental activities were supported by program revenues for 86.02% of the total governmental activities expenses for the period ended December 31, 2019. The primary support of the Educational Service Center is tuition and contracted fees for services provided to school districts.

The Educational Service Center's Funds

The schedule below indicates the fund balances and the changes in total change in fund balances as of December 31, 2019 and June 30, 2019.

Funds	Fund Balance December 31, 2019	Fund Balance June 30, 2019	Change
General	$ 1,220,654	$ 807,123	$ 413,531
Nonmajor governmental	42,156	42,034	122
Total	$ 1,262,810	$ 849,157	$ 413,653

General Fund

The Educational Service Center's general fund balance increased by $413,531 during the period July 1, 2019 through December 31, 2019.

Comparative information for general fund revenues and expenditures for the two most recent financial reporting periods is available; however, the data for the period July 1, 2019 through December 31, 2019 consists of only six months of financial transactions compared to twelve months for the fiscal year ended June 30, 2019. The table below shows the revenues and expenditures of the general fund for the period July 1, 2019 through December 31, 2019 and fiscal year 2019:

Revenues	Period Ended December 31, 2019 Amount	Fiscal Year Ended June 30, 2019 Amount	(Decrease)	Percentage Change
Tuition	$ 169,935	$ 910,840	$ (740,905)	(81.34) %
Earnings on investments	11,958	16,334	(4,376)	(26.79) %
Customer sales and services	3,553,853	8,028,700	(4,474,847)	(55.74) %
Intergovernmental	66,774	132,157	(65,383)	(49.47) %
Other revenues	16,414	277,994	(261,580)	(94.10) %
Total	$ 3,818,934	$ 9,366,025	$ (5,547,091)	(59.23) %
Expenditures				
Instruction	$ 1,877,333	$ 5,462,643	$ (3,585,310)	(65.63) %
Support services	1,528,070	4,341,602	(2,813,532)	(64.80) %
Total	$ 3,405,403	$ 9,804,245	$ (6,398,842)	(65.27) %

Capital Assets and Debt Administration

Capital Assets

At December 31, 2019, the Educational Service Center had $1,035 invested in furniture, fixtures and equipment. The following table shows the December 31, 2019 balances compared to June 30, 2019:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	December 31, 2019	June 30, 2019
Furniture, fixtures, and equipment	$ 173,551	$ 177,810
Less: accumulated depreciation	(172,516)	(174,025)
Total	$ 1,035	$ 3,785

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

Debt Administration

The Educational Service Center had no debt obligations outstanding as of December 31, 2019 or June 30, 2019.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our member districts and other interested parties 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 questions about this report or need additional financial information contact: Mr. Greg Slemons, Treasurer of the Educational Service Center of the Western Reserve, at 8221 Auburn Rd., Painesville, Ohio 44077.

BASIC
FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 568,996
Receivables:	
Accounts.	8,388
Intergovernmental	734,494
Net OPEB asset	695,029
Capital assets:	
Depreciable capital assets, net.	1,035
Total assets.	2,007,942
Deferred outflows of resources:	
Pension.	1,877,085
OPEB	389,979
Total deferred outflows of resources	2,267,064
Liabilities:	
Accounts payable.	230
Intergovernmental payable	17,419
Long-term liabilities:	
Due within one year	61,208
Due in more than one year:	
Net pension liability (See Note 9)	14,249,845
Net OPEB liability (See Note 10).	2,090,389
Other amounts due in more than one year .	179,899
Total liabilities	16,598,990
Deferred inflows of resources:	
Pension.	2,815,760
OPEB	1,807,017
Total deferred inflows of resources	4,622,777
Net position:	
Investment in capital assets	1,035
Restricted for:	
State funded programs.	15,307
Federally funded programs.	17,533
Other purposes.	9,316
Unrestricted (deficit)	(16,989,952)
Total net position (deficit).	$ (16,946,761)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE PERIOD JULY 1, 2019 THROUGH DECEMBER 31, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 53,245	$ 10,888	$ 2,394	$ (39,963)
Special	1,844,972	1,604,507	39,955	(200,510)
Vocational	317,339	287,743	-	(29,596)
Support services:				
Pupil	991,666	805,079	9,079	(177,508)
Instructional staff	242,744	166,833	52,963	(22,948)
Board of education	20,186	18,758	-	(1,428)
Administration	398,166	322,136	-	(76,030)
Fiscal	212,637	185,537	-	(27,100)
Business	15,588	15,650	-	62
Operations and maintenance	6,118	6,202	-	84
Pupil transportation	2,846	1,800	-	(1,046)
Central	29,186	27,281	-	(1,905)
Total governmental activities	$ 4,134,693	$ 3,452,414	$ 104,391	(577,888)
	General revenues:			
	Grants and entitlements not restricted to specific programs			65,874
	Investment earnings			11,958
	Miscellaneous			16,214
	Total general revenues			94,046
	Change in net position			(483,842)
	Net position (deficit) at beginning of period			(16,462,919)
	Net position (deficit) at end of period			$ (16,946,761)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 526,610	$ 42,386	$ 568,996
Receivables:			
Accounts	8,388	-	8,388
Intergovernmental	734,494	-	734,494
Total assets	$ 1,269,492	$ 42,386	$ 1,311,878
Liabilities:			
Accounts payable	$ -	$ 230	$ 230
Intergovernmental payable	17,419	-	17,419
Total liabilities	17,419	230	17,649
Deferred inflows of resources:			
Customer sales and services revenue not available	31,419	-	31,419
Total deferred inflows of resources	31,419	-	31,419
Fund balances:			
Restricted:			
Public school preschool	-	769	769
Special education	-	302	302
State funded programs	-	14,538	14,538
Federally funded programs	-	17,231	17,231
Other purposes	-	9,316	9,316
Unassigned	1,220,654	-	1,220,654
Total fund balances	1,220,654	42,156	1,262,810
Total liabilities, deferred inflows of resources and fund balances	$ 1,269,492	$ 42,386	$ 1,311,878

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total governmental fund balances		$ 1,262,810
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,035
Other long-term assets (intergovernmental receivables) are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		31,419
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - pension	1,877,085	
Deferred inflows of resources - pension	(2,815,760)	
Net pension liability	(14,249,845)	
Total		(15,188,520)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - OPEB	389,979	
Deferred inflows of resources - OPEB	(1,807,017)	
Net OPEB asset	695,029	
Net OPEB liability	(2,090,389)	
Total		(2,812,398)
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.		(241,107)
Net position (deficit) of governmental activities		$ (16,946,761)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE PERIOD JULY 1, 2019 THROUGH DECEMBER 31, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Customer sales and services	$ 3,553,853	$ -	$ 3,553,853
Tuition	169,935	-	169,935
Earnings on investments	11,958	-	11,958
Classroom materials and fees	200	-	200
Contributions and donations	3,985	201	4,186
Other local revenues	12,229	4,649	16,878
Intergovernmental - intermediate	900	-	900
Intergovernmental - state	65,874	26,410	92,284
Intergovernmental - federal	-	72,231	72,231
Total revenues	3,818,934	103,491	3,922,425
Expenditures:			
Current:			
Instruction:			
Regular	10,740	1,795	12,535
Special	1,582,752	37,783	1,620,535
Vocational	283,841	-	283,841
Support services:			
Pupil	793,965	11,548	805,513
Instructional staff	164,571	52,243	216,814
Board of education	18,504	-	18,504
Administration	317,768	-	317,768
Fiscal	183,021	-	183,021
Business	15,438	-	15,438
Operations and maintenance	6,118	-	6,118
Pupil transportation	1,775	-	1,775
Central	26,910	-	26,910
Total expenditures	3,405,403	103,369	3,508,772
Net change in fund balances	413,531	122	413,653
Fund balances at beginning of period	807,123	42,034	849,157
Fund balances at end of period	$ 1,220,654	$ 42,156	$ 1,262,810

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE PERIOD JULY 1, 2019 THROUGH DECEMBER 31, 2019

Net change in fund balances - total governmental funds	$	413,653
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.		
Current year depreciation		(2,750)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Customer sales and services		(271,574)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		416,105
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,286,410)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		17,419
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		259,225
Some expenses reported in the statement of activities (compensated absences), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(29,510)
Change in net position of governmental activities	$	(483,842)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Agency
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 1,405,533
Liabilities:	
Intergovernmental payable	$ 1,405,533

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 51 noncertified, 82 certified staff that provides services to 9,960 students through the school districts in Geauga County.

The Educational Service Center merged with the Lake County Educational Service Center to form the Educational Service Center of the Western Reserve (the "ESC of the Western Reserve") on January 1, 2020. See Note 15 for detail.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

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 entitled to or can otherwise access the organization's resources; 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 if 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. The Educational Service Center has no component units.

The Educational Service Center was associated with certain organizations which were defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Note 12 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

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

B. 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, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at period 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements - During the 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. Fund Accounting

The Educational Service Center uses funds to maintain its financial records. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Educational Service Center are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted to a particular purpose.

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

FIDUCIARY FUND TYPE

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center's only fiduciary funds are agency. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center is the fiscal agent for the Lake-Geauga Computer Association and the iSTEM Geauga Early College High School, which are accounted for in agency funds.

D. Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements include only governmental activities.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Educational Service Center are included on the statement of net position.

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

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

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the Educational Service Center received value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized in the period/fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period/fiscal year in which resources are required to be used or the period/fiscal year when use is first permitted, matching requirements, in which the Educational Service Center must provide local resources to be used for a specified 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 period/fiscal year-end: grants, investment earnings, tuition, customer services and charges for services, rentals and fees.

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

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

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

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

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

F. Budgetary Data

In fiscal year 2004, the Educational Service Center's requirement to file budgetary information with the Ohio Department of Education (ODE) was eliminated. Even though the budgetary process for the Educational Service Center is discretionary, the Educational Service Center's Board does approve appropriations for all funds for control purposes. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Educational Service Center Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Educational Service Center's Board. The level of control has been established by the Educational Service Center's Board at the fund, function and object level for the general fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. Throughout the period/fiscal year, appropriations may be amended or supplemented as circumstances warrant. The Educational Service Center has elected to not present budgetary schedules as supplementary information for the general fund.

G. Cash and Investments

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During the period ended December 31, 2019, the Educational Service Center invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Educational Service Center measures their 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.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During the period July 1, 2019 through December 31, 2019, the general fund received interest earned in the amount of $11,958 which includes $5,757 assigned from other funds.

An analysis of the Educational Service Center's investment account at the end of the period is provided in Note 3.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019 were recorded as prepaid items using the consumption method. A current asset for the prepaid amount was recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. The Educational Service Center had no prepaid items at December 31, 2019.

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

I. Capital Assets

The Educational Service Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions 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 $1,000. The Educational Service Center does not possess any infrastructure. 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 capitalized.

All reported capital assets, other than land and construction in progress, 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 useful lives for furniture and fixtures of five to ten years.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits among the governmental activities are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. The Educational Service Center had no interfund balances outstanding at December 31, 2019.

K. 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.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee's salaries are paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund statement of net position.

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

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

M. Interfund Transactions

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

N. Net Position

Net position represents the difference between assets and liabilities. Net investments 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 either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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.

O. 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 resources in the governmental funds. The classifications are as follows:

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center's Board of Education; the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Educational Service Center's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund balance have been specifically committed for use in satisfying those contractual requirements.

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

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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Educational Service Center's Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

P. Estimates

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

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Educational Service Center and that are either unusual in nature or infrequent in occurrence. During the period July 1, 2019 through December 31, 2019, the Educational Service Center had neither type of transaction.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Educational Service Center into three categories:

Active monies, those monies are required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such monies must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive monies, those monies not required for use within the current five year period of designation of depositories. Inactive monies must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one point in time.

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits

At December 31, 2019, the carrying amount of all the Educational Service Center deposits, was $811,749. Of the $903,093 bank balance, $250,299 was covered by the FDIC and $326,397 was covered by the Ohio Pooled Collateral System (OPCS), and $326,397 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of 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. The Educational Service Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Educational Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Educational Service Center's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

The Educational Service Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

B. Investments

As of December 31, 2019, the Educational Service Center had the following investment and maturity:

Measurement/Investment type	Measurement Value	Investment Maturity 6 Months or Less
Amortized cost:		
STAR Ohio	$ 1,162,780	$ 1,162,780

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

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center's investment policy does not specifically address credit risk beyond required the Educational Service Center to invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Educational Service Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Educational Service Center places no limit on the amount that may be invested to any one issue. The following table includes the percentage of each investment type held by the Center at December 31, 2019:

Measurement/Investment type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 1,162,780	100.00

NOTE 4 - LOANS

The iSTEM Geauga Early College High School agency fund loaned $2,394 to the Improving Teacher Quality nonmajor special revenue fund during fiscal year 2019 and was reported as a "loan receivable/payable" at June 30, 2019. The loan was repaid during the period July 1, 2019 through December 31, 2019. There were no loans outstanding at December 31, 2019.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2019 consisted of $8,388 and $734,494 in accounts and intergovernmental receivables (excess costs and tuition), respectively. All receivables are considered collectible within one year and in full.

NOTE 6 - STATE AND LOCAL FUNDING

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

A. State Funding

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

NOTE 6 - STATE AND LOCAL FUNDING - (Continued)

State Per-Pupil Funding - One component of state funding is predicated on the per-pupil amounts. The per-pupil amount is applied to the total count of students of the client districts these entities serve. The law provides for $40,000,000 in fiscal years 2020 and 2021, respectively, for this purpose. As the appropriation for this funding is set and the funding is based on a constant per-pupil amount, it is often necessary and authorized by law for the fund distribution to be prorated in order to stay within the appropriations. As the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels.

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

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

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

B. Local Funding

ORC Section 3313.843 Contracts

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

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

NOTE 6 - STATE AND LOCAL FUNDING - (Continued)

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

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

ORC Section 3313.845 Contracts

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the period July 1, 2019 through December 31, 2019, was as follows:

	Balance 7/1/2019	Additions	Deductions	Balance 12/31/2019
Governmental activities:				
Capital assets, being depreciated				
Furniture, fixtures and equipment	$ 177,810	$ -	$ (4,259)	$ 173,551
Less: accumulated depreciation				
Furniture, fixtures and equipment	(174,025)	(2,750)	4,259	(172,516)
Governmental activities capital assets	$ 3,785	$ (2,750)	$ -	$ 1,035

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 180
Special	468
Support services:	
Pupil	881
Business	150
Pupil transportation	1,071
Total depreciation expense	$ 2,750

NOTE 8 - LONG-TERM OBLIGATIONS

During the period July 1, 2019 through December 31, 2019, the following activity occurred in governmental activities long-term obligations.

	Balance 07/01/19	Additions	Reductions	Balance 12/31/19	Amounts due in One Year
Governmental activities:					
Compensated absences payable	$ 221,707	$ 64,215	$ (44,815)	$ 241,107	$ 61,208
Net pension liability	14,962,407	484,859	(1,197,421)	14,249,845	-
Net OPEB liability	2,189,013	-	(98,624)	2,090,389	-
Total long-term obligations	$ 17,373,127	$ 549,074	$ (1,340,860)	$ 16,581,341	$ 61,208

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

Net pension liability - the Educational Service Center pays obligations related to employee compensation from the fund benefitting from their service. See Note 9 for details.

Net OPEB liability - the Educational Service Center pays obligations related to employee compensation from the fund benefitting from their service. See Note 10 for details.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School District Employees Retirement System (SERS)

Plan Description - The 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Educational Service Center is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the period ended December 31, 2019, the allocation to pension, death benefits, and Medicare B was 14.0%.

The Educational Service Center's contractually required contribution to SERS was $175,617 for the period July 1, 2019 through December 31, 2019.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The Educational Service Center's contractually required contribution to STRS was $240,488 for the period July 1, 2019 through December 31, 2019.

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 projected contributions of all participating entities.

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.07830800%	0.04765181%	
Proportion of the net pension liability current measurement date	0.08306130%	0.04196425%	
Change in proportionate share	0.00475330%	-0.00568756%	
Proportionate share of the net pension liability	$ 4,969,703	$ 9,280,142	$ 14,249,845
Pension expense	$ 754,856	$ 531,554	$ 1,286,410

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2019, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 126,020	$ 75,558	$ 201,578
Changes of assumptions	-	1,090,132	1,090,132
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	169,270	-	169,270
Contributions subsequent to the measurement date	175,617	240,488	416,105
Total deferred outflows of resources	$ 470,907	$ 1,406,178	$ 1,877,085

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 40,172	$ 40,172
Net difference between projected and actual earnings on pension plan investments	63,792	453,562	517,354
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	91,814	2,166,420	2,258,234
Total deferred inflows of resources	$ 155,606	$ 2,660,154	$ 2,815,760

$416,105 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ 167,378	$ (218,709)	$ (51,331)
2022	(59,625)	(641,128)	(700,753)
2023	(4,247)	(464,052)	(468,299)
2024	36,178	(170,575)	(134,397)
Total	$ 139,684	$ (1,494,464)	$ (1,354,780)

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 6,964,331	$ 4,969,703	$ 3,296,958

Actuarial Assumptions - STRS

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

Sensitivity of the 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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 13,561,893	$ 9,280,142	$ 5,655,420

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the period ended December 31, 2019, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the period ended December 31, 2019, the Educational Service Center's surcharge obligation was $17,419.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was $17,419 for the period July 1, 2019 through December 31, 2019, which is reported in 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, 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.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the period ended December 31, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The 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:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.07890410%	0.04765181%	
Proportion of the net OPEB liability/asset current measurement date	0.08312380%	0.04196425%	
Change in proportionate share	0.00421970%	-0.00568756%	
Proportionate share of the net OPEB liability	$ 2,090,389	$ -	$ 2,090,389
Proportionate share of the net OPEB asset	$ -	$ (695,029)	$ (695,029)
OPEB expense	$ 31,871	$ (291,096)	$ (259,225)

At December 31, 2019, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 30,685	$ 63,011	$ 93,696
Net difference between projected and actual earnings on OPEB plan investments	5,018	-	5,018
Changes of assumptions	152,679	14,609	167,288
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	106,558	-	106,558
Contributions subsequent to the measurement date	17,419	-	17,419
Total deferred outflows of resources	$ 312,359	$ 77,620	$ 389,979

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 459,244	$ 35,360	$ 494,604
Net difference between projected and actual earnings on OPEB plan investments	-	43,655	43,655
Changes of assumptions	117,138	762,018	879,156
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	42,193	347,409	389,602
Total deferred inflows of resources	$ 618,575	$ 1,188,442	$ 1,807,017

$17,419 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/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ (142,271)	$ (244,217)	$ (386,488)
2022	(41,786)	(244,217)	(286,003)
2023	(40,316)	(226,724)	(267,040)
2024	(40,554)	(220,586)	(261,140)
2025	(40,165)	(171,612)	(211,777)
Thereafter	(18,543)	(3,466)	(22,009)
Total	$ (323,635)	$ (1,110,822)	$ (1,434,457)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 2,537,336	$ 2,090,389	$ 1,735,014

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 1,674,825	$ 2,090,389	$ 2,641,741

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

Sensitivity of the 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 net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ (593,069)	$ (695,029)	$ (780,753)

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ (788,131)	$ (695,029)	$ (581,001)

NOTE 11 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period July 1, 2019 through December 31, 2019, the Educational Service Center was insured under Love Insurance under the Ohio School Plan.

Professional liability was protected by the Ohio School Plan through Hylant Administrative Services with a $5,000,000 annual aggregate/$3,000,000 single occurrence limit and no deductible for each claim. Vehicles were also covered by the Ohio School Plan and had a $250 deductible for comprehensive and $500 deductible for collision. The policy included coverage for hired and nonowned automobiles. Automobile liability had a $1,000,000 combined single limit of liability. The Educational Service Center had an additional crime policy with a $250,000 limit through Travelers. Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from prior years.

For the period July 1, 2019 through December 31, 2019, the Educational Service Center participated in the SchoolComp Group Retrospective Rating Program (Group Retro). The intent of the Group Retro is to reward participants that are able to keep their individual claim costs below a predetermined amount. The Educational Service Center continues to pay their individual premium; however, the Educational Service Center will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year.

At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. CompManagement, Inc. provided administrative, cost control and actuarial services to the Group Retro program.

NOTE 12 - JOINTLY GOVERNED ORGANIZATION AND INSURANCE PURCHASING POOL

A. Jointly Governed Organization

The Lake-Geauga Education Computer Association ("Association") is a jointly governed organization consisting of 22 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Association is organized under Section 3313.92 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association's assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center was the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Painesville, Ohio, 44077.

B. Insurance Purchasing Pool

The Educational Service Center participated in a group rating plan for workers' compensation as established under section 4123.29 of the Oho Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program ("Plan") was established as an insurance purchasing pool.

NOTE 12 - JOINTLY GOVERNED ORGANIZATION AND INSURANCE PURCHASING POOL - (Continued)

The Plan'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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

Certified and Classified employees (that are 12-month employees) earned ten to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation was paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave could be accumulated up to 280 days. Upon retirement, payment was made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 70 days.

B. Life Insurance

The Educational Service Center provided $50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust.

NOTE 14 - CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and 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 financial position of the Educational Service Center.

B. Litigation

The Educational Service Center is not a part of or involved in any legal proceedings at this time. The Educational Service Center management is of the opinion that ultimate disposition of any future claims and legal proceedings will not have a material effect on the financial condition of the Educational Service Center.

C. School Foundation

Foundation funding is based on the annualized full-time (FTE) enrollment of each student. Traditional school students must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula ODE is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, all ODE adjustments for fiscal year 2020 have been finalized.

NOTE 15 - CEASED OPERATIONS

On November 7, 2019, the Geauga County Educational Service Center Governing Board (the "Geauga ESC") and the Lake County Educational Service Center Governing Board (the "Lake ESC") passed a Joint Governing Board Resolution (the "Resolution") to dissolve and merge into one educational service center, named the Educational Service Center of the Western Reserve (the "ESC of the Western Reserve") effective January 1, 2020. On January 1, 2020, Geauga ESC's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance/net position was transferred to the ESC of the Western Reserve.

Under the Resolution, the Lake ESC shall be considered the surviving employer for retirement system, workers compensation, unemployment, tax identification, insurance and related purposes. A new Governing Board will be established January 1, 2020, per the subdistricts set forth in the Resolution. Legal title to all property of the Geauga ESC and the Lake ESC shall become vested in the new Governing Board no later than December 31, 2019. The new Governing Board shall honor all fiscal agent agreements, service agreements and vendor contracts made by the Geauga ESC and the Lake ESC to the extent they are legally enforceable and are consolidated in a fiscally responsible manner. Fiscal agent agreements for the Lake Geauga Computer Association and the iSTEM Geauga Early Learning College shall transfer from the Geauga ESC to the new Governing Board.

REQUIRED SUPPLEMENTARY INFORMATION

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020*	2019	2018	2017
Educational Service Center's proportion of the net pension liability	0.08306130%	0.07830800%	0.07695260%	0.08427030%
Educational Service Center's proportionate share of the share of the net pension liability	$ 4,969,703	$ 4,484,844	$ 4,597,748	$ 6,167,808
Educational Service Center's covered payroll	$ 2,841,281	$ 2,540,356	$ 2,529,843	$ 2,580,693
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered payroll	174.91%	176.54%	181.74%	239.00%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

* Period July 1, 2019 through December 31, 2019.

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014	
	0.85918200%		0.09261400%		0.09261400%
$	4,902,576	$	4,687,142	$	5,507,457
$	2,586,586	$	2,691,169	$	2,251,091
	189.54%		174.17%		244.66%
	69.16%		71.70%		65.52%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020*	2019	2018	2017
Educational Service Center's proportion net pension liability	0.04196425%	0.04765181%	0.05216198%	0.05807517%
Educational Service Center's proportionate share of the net pension liability	$ 9,280,142	$ 10,477,563	$ 12,391,190	$ 19,439,510
Educational Service Center's covered payroll	$ 4,789,007	$ 5,353,357	$ 5,628,957	$ 6,095,664
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered payroll	193.78%	195.72%	220.13%	318.91%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

* Period July 1, 2019 through December 31, 2019.

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014	
	0.05877854%		0.05884779%		0.05884779%
$	16,244,669	$	14,313,819	$	17,050,528
$	6,222,307	$	6,012,623	$	4,972,162
	261.07%		238.06%		342.92%
	72.10%		74.70%		69.30%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020*	2019	2018	2017
Contractually required contribution	$ 175,617	$ 383,573	$ 342,948	$ 354,178
Contributions in relation to the contractually required contribution	(175,617)	(383,573)	(342,948)	(354,178)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 1,254,407	$ 2,841,281	$ 2,540,356	$ 2,529,843
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

* Period July 1, 2019 through December 31, 2019.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014		2013		2012		2011	
$	361,297	$	340,912	$	372,996	$	311,551	$	321,622	$	307,405
	(361,297)		(340,912)		(372,996)		(311,551)		(321,622)		(307,405)
$	-	$	-	$	-	$	-	$	-	$	-
$	2,580,693	$	2,586,586	$	2,691,169	$	2,251,091	$	2,391,242	$	2,445,545
	14.00%		13.18%		13.86%		13.84%		13.45%		12.57%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020*	**2019**	**2018**	**2017**
Contractually required contribution	$ 240,488	$ 670,461	$ 749,470	$ 788,054
Contributions in relation to the contractually required contribution	(240,488)	(670,461)	(749,470)	(788,054)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 1,717,771	$ 4,789,007	$ 5,353,357	$ 5,628,957
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

* Period July 1, 2019 through December 31, 2019.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ 853,393	$ 871,123	$ 781,641	$ 646,381	$ 714,209	$ 747,058
(853,393)	(871,123)	(781,641)	(646,381)	(714,209)	(747,058)
$ -	$ -	$ -	$ -	$ -	$ -
$ 6,095,664	$ 6,222,307	$ 6,012,623	$ 4,972,162	$ 5,493,915	$ 5,746,600
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2020*	2019	2018	2017
Educational Service Center's proportion net OPEB liability	0.08312380%	0.07890410%	0.07744250%	0.08437550%
Educational Service Center's proportionate share of the net OPEB liability	$ 2,090,389	$ 2,189,013	$ 2,078,353	$ 2,405,014
Educational Service Center's covered payroll	$ 2,841,281	$ 2,540,356	$ 2,529,843	$ 2,580,693
Educational Service Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.57%	86.17%	82.15%	93.19%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

* Period July 1, 2019 through December 31, 2019.

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2020*	2019	2018	2017
Educational Service Center's proportion net OPEB liability/asset	0.04196425%	0.04765181%	0.05216198%	0.05807517%
Educational Service Center's proportionate share of the net OPEB liability/(asset)	$ (695,029)	$ (765,716)	$ 2,035,168	$ 3,105,875
Educational Service Center's covered payroll	$ 4,789,007	$ 5,353,357	$ 5,628,957	$ 6,095,664
Educational Service Center's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.51%	14.30%	36.16%	50.95%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.33%

* Period July 1, 2019 through December 31, 2019.

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020*	2019	2018	2017
Contractually required contribution	$ 17,419	$ 54,410	$ 52,934	$ 39,217
Contributions in relation to the contractually required contribution	(17,419)	(54,410)	(52,934)	(39,217)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 1,254,407	$ 2,841,281	$ 2,540,356	$ 2,529,843
Contributions as a percentage of covered payroll	1.39%	1.91%	2.08%	1.55%

* Period July 1, 2019 through December 31, 2019.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014		2013		2012		2011	
$	38,304	$	62,868	$	44,835	$	20,260	$	31,086	$	53,557
	(38,304)		(62,868)		(44,835)		(20,260)		(31,086)		(53,557)
$	-	$	-	$	-	$	-	$	-	$	-
$	2,580,693	$	2,586,586	$	2,691,169	$	2,251,091	$	2,391,242	$	2,445,545
	1.48%		2.43%		1.67%		0.90%		1.30%		2.19%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020*	2019	2018	2017
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 1,717,771	$ 4,789,007	$ 5,353,357	$ 5,628,957
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

* Period July 1, 2019 through December 31, 2019.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014		2013		2012		2011	
$	-	$	-	$	60,078	$	53,361	$	54,939	$	53,361
	-		-		(60,078)		(53,361)		(54,939)		(53,361)
$	-	$	-	$	-	$	-	$	-	$	-
$	6,095,664	$	6,222,307	$	6,012,623	$	4,972,162	$	5,493,915	$	5,746,600
	0.00%		0.00%		1.00%		1.00%		1.00%		1.00%

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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The discussion and analysis of the Geauga County Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to consider the Educational Service Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position of governmental activities increased $1,882,032 which represents a 10.26% percent increase from fiscal year 2018's net position.

- General revenues accounted for $426,485 in revenue or 4.39% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9,287,902 or 95.61% of total revenues of $9,714,387.

- The Educational Service Center had $7,832,355 in expenses related to governmental activities, which were all offset by program specific charges for services, grants or contributions to support the Educational Service Center's programs.

- The Educational Service Center's major governmental fund is the general fund. The general fund had $9,366,025 in revenues and $9,804,245 in expenditures. During fiscal year 2019, the general fund's fund balance decreased $438,220 from a balance of $1,245,343 to $807,123.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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.

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 the 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 nonmajor funds presented in total in one column. In the case of the Educational Service Center, the general fund is the most significant fund, and the only governmental fund reported as a major fund.

Reporting the Educational Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole contains all financial transactions and asks the question, "How did the Educational Service Center perform financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all (non-fiduciary) assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net position and changes in net position. The change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial condition 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 the Educational Service Center's facility conditions, required educational programs and other factors.

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

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 multitude of financial transactions; however, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's 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 year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the net pension liability and net OPEB liability/asset in this report after the notes to the basic financial statements.

The Educational Service Center as a Whole

Recall that the statement of net position provides the perspective of the Educational Service Center as a whole. The table below provides a summary of the Educational Service Center's net position for 2019 and 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current and other assets	$ 2,018,710	$ 2,543,432
Net OPEB asset	765,716	-
Capital assets	3,785	8,192
Total assets	2,788,211	2,551,624
Deferred outflows of resources		
Pension	3,545,865	4,716,624
OPEB	193,959	170,417
Total deferred outflows of resources	3,739,824	4,887,041
Liabilities		
Current liabilities	856,450	974,802
Long-term liabilities:		
Due within one year	70,719	94,520
Due in more than one year:		
Net pension liability	14,962,407	16,988,938
Net OPEB liability	2,189,013	4,113,521
Other amounts	150,988	260,467
Total liabilities	18,229,577	22,432,248
Deferred inflows of resources		
Pension	2,901,673	2,473,435
OPEB	1,859,704	877,933
Total deferred inflows of resources	4,761,377	3,351,368
Net Position		
Net investment in capital assets	3,785	8,192
Restricted	42,633	21,305
Unrestricted (deficit)	(16,509,337)	(18,374,448)
Total net position (deficit)	$ (16,462,919)	$ (18,344,951)

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the Educational Service Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the Educational Service Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $16,462,919. Of this total, a deficit of $16,509,337 is unrestricted in use, which is a result of reporting the net pension liability and net OPEB liability required by GASB Statement No. 68 and GASB Statement No 75.

Current assets include intergovernmental receivables reported for tuition, customer sales and services, grants, and amounts due from the Ohio Department of Education at June 30, 2019.

Total assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 11 for more detail. STRS did not report a net pension asset in the prior year.

At year-end, capital assets represented 0.14% percent of total assets. Capital assets include furniture, fixtures and equipment. The Educational Service Center's investment in capital assets at June 30, 2019, was $3,785. These capital assets are used to provide services to the students and are not available for future spending.

Deferred outflows related to pension decreased primarily due to changes in assumptions by STRS. See Note 10 for more detail.

Deferred inflows related to OPEB increased primarily due to changes in assumptions by STRS. See Note 11 for more detail

A portion of the Educational Service Center's net position, $42,633 represents resources that are subject to external restriction on how they may be used.

Governmental Activities

The net position of the Educational Service Center's governmental activities increased $1,882,032. Total governmental expenses of $7,832,355 were offset by program revenues of $9,287,902 and general revenues of $426,485. Program revenues supported 100.00% of the total governmental expenses for fiscal year 2019.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 92.03% of total governmental revenue. During fiscal year 2019, the Educational Service Center collected more charges for services revenue and operating grant revenue. The decreased charges for services and sales revenue can be attributed to less revenues generated from additional services offered to participating districts. The Educational Service Center received state and federal grant funding through the Public School Preschool, Miscellaneous State Grants, IDEA Part B, Title I, Miscellaneous Federal Grants and Preschool IDEA programs.

The largest expense of the Educational Service Center is for instructional services. Instructional services expenses totaled $4,588,806 or 58.59% of total governmental expenses for fiscal year 2019.

The table below shows the changes in net position for fiscal years 2019 and 2018.

Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program Revenues:		
Charges for services and sales	$ 8,940,108	$ 10,180,381
Operating grants and contributions	347,794	213,446
General revenues:		
Grants and entitlements	132,157	114,608
Investment earnings	16,334	3,821
Miscellaneous	277,994	152,789
Total revenues	9,714,387	10,665,045
Expenses		
Program expenses:		
Instruction:		
Regular	4,200	8,320
Special	3,966,273	1,821,074
Vocational	618,333	287,495
Support services:		
Pupil	1,600,301	384,828
Instructional staff	431,886	245,001
Board of education	36,776	105,584
Administration	726,958	128,286
Fiscal	265,158	98,777
Business	27,889	31,277
Operations and maintenance	28,378	42,026
Pupil transportation	6,444	3,852
Central	119,759	136,990
Total expenses	7,832,355	3,293,510
Change in net position	1,882,032	7,371,535
Net position (deficit) at beginning of year	(18,344,951)	(25,716,486)
Net position (deficit) at end of year	$ (16,462,919)	$ (18,344,951)

Overall, expenses of the governmental activities increased $4,538,845 or 137.81%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. On an accrual basis, the Educational Service Center reported $626,500 in pension expense and ($1,677,585) in OPEB expense mainly due to these benefit changes.

On an accrual basis, the Educational Service Center reported $626,500 and ($5,637,833) in pension expense for fiscal years 2019 and 2018, respectively. In addition, the Educational Service Center reported ($1,677,585) and ($597,701) in OPEB expense for fiscal year 2019 and 2018, respectively. The change in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was $5,184,449. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The Educational Service Center's total expenses for fiscal year 2019 are more comparable to total fiscal year 2017 expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	$ 4,200	$ 1,251	$ 8,320	$ (20,060)
Special	3,966,273	(466,598)	1,821,074	(2,839,314)
Vocational	618,333	(80,443)	287,495	(349,600)
Support services:				
Pupil	1,600,301	(533,732)	384,828	(2,591,360)
Instructional staff	431,886	(107,734)	245,001	(213,827)
Board of education	36,776	(1,005)	105,584	77,311
Administration	726,958	(195,820)	128,286	(896,368)
Fiscal	265,158	(51,063)	98,777	(206,508)
Business	27,889	2,687	31,277	2,063
Operations and maintenance	28,378	2,502	42,026	(1,329)
Pupil transportation	6,444	1,969	3,852	1,910
Central	119,759	(27,561)	136,990	(63,235)
Total expenses	$ 7,832,355	$ (1,455,547)	$ 3,293,510	$ (7,100,317)

Governmental activities were supported by program revenues for 100.00% of the total governmental activities expenses for fiscal year 2019. The primary support of the Educational Service Center is tuition and contracted fees for services provided to school districts.

The Educational Service Center's Funds

The Educational Service Center's governmental funds reported a combined fund balance of $849,157, which is lower than last year's total of $1,265,433. The schedule below indicates the fund balances and the changes in fund balances as of June 30, 2019 and 2018.

Funds	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change
General	$ 807,123	$ 1,245,343	$ (438,220)
Nonmajor governmental	42,034	20,090	21,944
Total	$ 849,157	$ 1,265,433	$ (416,276)

General Fund

The Educational Service Center's general fund balance decreased $438,220. The table that follows shows the revenues of the general fund for fiscal years 2019 and 2018.

Revenues	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
Tuition	$ 910,840	$ 864,223	$ 46,617	5.39 %
Earnings on investments	16,334	3,821	12,513	327.48 %
Customer sales and services	8,028,700	9,518,932	(1,490,232)	(15.66) %
Intergovernmental	132,157	114,608	17,549	15.31 %
Other revenues	277,994	153,639	124,355	80.94 %
Total	$ 9,366,025	$ 10,655,223	$ (1,289,198)	(12.10) %

Overall, revenues of the general fund decreased $1,289,198 or 12.10% during fiscal year 2019. Customer sales and services revenue decreased $1,490,232 or 15.66% as a result of less revenue generated from services provided to participating districts. Intergovernmental revenue increased $17,549 or 15.31% due to more revenues received through state foundation. Other revenues increased $124,355 or 80.94% due to refunds and reimbursements received during fiscal year 2019. Earnings on investments increased $12,513 or 327.48% due to higher interest rates on investments during fiscal year 2019.

Expenditures	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
Instruction	$ 5,462,643	$ 5,410,248	$ 52,395	0.97 %
Support services	4,341,602	5,061,335	(719,733)	(14.22) %
Total	$ 9,804,245	$ 10,471,583	$ (667,338)	(6.37) %

Instruction expenditures and support services decreased $667,338 or 6.37% from fiscal year 2018 due to a reduction in programs provided to member districts during fiscal year 2019. In December 2018, the Educational Service Center began sharing central office staff with the Lake County Educational Service Center, which resulted in a decrease in support services expenditures during fiscal year 2019 as compared to fiscal year 2018.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2019 the Educational Service Center had $3,785 invested in furniture, fixtures and equipment. The table that follows shows the balances of the Educational Service Center's capital assets at June 30, 2019 compared to balances at June 30, 2018.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Furniture, fixtures, and equipment	$ 177,810	$ 177,810
Less: accumulated depreciation	(174,025)	(169,618)
Total	$ 3,785	$ 8,192

The overall decrease in capital assets during fiscal year 2019 resulted from depreciation expense of $4,407 in the current fiscal year.

See Note 8 to the basic financial statements for additional information on the Educational Service Center's capital assets.

Debt Administration

The Educational Service Center had no debt obligations outstanding as of June 30, 2019.

Current Financial Related Activities

Geauga County Educational Service Center is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with Board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While so many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our member districts and other interested parties 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 questions about this report or need additional financial information contact: Mr. Greg Slemons, Treasurer of the Geauga County Educational Service Center, at 8221 Auburn Rd., Painesville, Ohio 44077.

BASIC
FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 1,150,693
Receivables:	
Intergovernmental	868,017
Net OPEB asset	765,716
Capital assets:	
Depreciable capital assets, net.	3,785
Total assets.	2,788,211
Deferred outflows of resources:	
Pension.	3,545,865
OPEB	193,959
Total deferred outflows of resources	3,739,824
Liabilities:	
Accounts payable.	113,466
Accrued wages and benefits payable	607,072
Intergovernmental payable	133,518
Loan payable	2,394
Long-term liabilities:	
Due within one year	70,719
Due in more than one year:	
Net pension liability (See Note 10)	14,962,407
Net OPEB liability (See Note 11).	2,189,013
Other amounts due in more than one year .	150,988
Total liabilities	18,229,577
Deferred inflows of resources:	
Pension.	2,901,673
OPEB	1,859,704
Total deferred inflows of resources	4,761,377
Net position:	
Investment in capital assets	3,785
Restricted for:	
State funded programs.	28,103
Federally funded programs.	5,415
Other purposes.	9,115
Unrestricted (deficit)	(16,509,337)
Total net position (deficit).	$ (16,462,919)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 4,200	$ 2,949	$ -	$ (1,251)
Special	3,966,273	4,279,446	153,425	466,598
Vocational	618,333	698,776	-	80,443
Support services:				
Pupil	1,600,301	2,112,154	21,879	533,732
Instructional staff	431,886	367,130	172,490	107,734
Board of education	36,776	37,781	-	1,005
Administration	726,958	922,778	-	195,820
Fiscal	265,158	316,221	-	51,063
Business	27,889	25,202	-	(2,687)
Operations and maintenance	28,378	25,876	-	(2,502)
Pupil transportation	6,444	4,475	-	(1,969)
Central	119,759	147,320	-	27,561
Total governmental activities	$ 7,832,355	$ 8,940,108	$ 347,794	1,455,547
	General revenues:			
	Grants and entitlements not restricted to specific programs			132,157
	Investment earnings			16,334
	Miscellaneous			277,994
	Total general revenues			426,485
	Change in net position			1,882,032
	Net position (deficit) at beginning of year			(18,344,951)
	Net position (deficit) at end of year			$ (16,462,919)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash			
and cash equivalents	$ 1,093,707	$ 56,986	$ 1,150,693
Receivables:			
Intergovernmental	854,682	13,335	868,017
Interfund loans receivable	24,087	-	24,087
Total assets	$ 1,972,476	$ 70,321	$ 2,042,797
Liabilities:			
Accounts payable	$ 112,031	$ 1,435	$ 113,466
Accrued wages and benefits payable	606,751	321	607,072
Intergovernmental payable	133,468	50	133,518
Compensated absences payable	10,110	-	10,110
Interfund loans payable	-	24,087	24,087
Loans payable	-	2,394	2,394
Total liabilities	862,360	28,287	890,647
Deferred inflows of resources:			
Customer sales and services revenue			
not available	302,993	-	302,993
Total deferred inflows of resources	302,993	-	302,993
Fund balances:			
Restricted:			
State funded programs	-	28,103	28,103
Federally funded programs	-	5,415	5,415
Other purposes	-	9,115	9,115
Assigned:			
Student instruction	43,352	-	43,352
Student and staff support	26,959	-	26,959
Unassigned (deficit)	736,812	(599)	736,213
Total fund balances	807,123	42,034	849,157
Total liabilities, deferred inflows of resources			
and fund balances	$ 1,972,476	$ 70,321	$ 2,042,797

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Total governmental fund balances		$ 849,157
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,785
Other long-term assets (intergovernmental receivables) are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		302,993
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - pension	3,545,865	
Deferred inflows of resources - pension	(2,901,673)	
Net pension liability	(14,962,407)	
Total		(14,318,215)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows of resources are not reported in governmental funds:		
Deferred outflows of resources - OPEB	193,959	
Deferred inflows of resources - OPEB	(1,859,704)	
Net OPEB asset	765,716	
Net OPEB liability	(2,189,013)	
Total		(3,089,042)
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.		(211,597)
Net position (deficit) of governmental activities		$ (16,462,919)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Customer sales and services	$ 8,028,700	$ -	$ 8,028,700
Tuition	910,840	-	910,840
Earnings on investments	16,334	-	16,334
Contributions and donations	147,086	4,131	151,217
Other local revenues	130,908	38,486	169,394
Intergovernmental - state	132,157	72,323	204,480
Intergovernmental - federal	-	233,626	233,626
Total revenues	9,366,025	348,566	9,714,591
Expenditures:			
Current:			
Instruction:			
Regular	3,234	599	3,833
Special	4,693,091	149,407	4,842,498
Vocational	766,318	-	766,318
Support services:			
Pupil	2,316,312	21,031	2,337,343
Instructional staff	402,616	155,585	558,201
Board of education	41,433	-	41,433
Administration	1,011,972	-	1,011,972
Fiscal	346,787	-	346,787
Business	27,637	-	27,637
Operations and maintenance	28,378	-	28,378
Pupil transportation	4,908	-	4,908
Central	161,559	-	161,559
Total expenditures	9,804,245	326,622	10,130,867
Net change in fund balances	(438,220)	21,944	(416,276)
Fund balances at beginning of year	1,245,343	20,090	1,265,433
Fund balances at end of year	$ 807,123	$ 42,034	$ 849,157

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		$ (416,276)
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.		(4,407)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Customer sales and services	568	
Intergovernmental	(772)	
Total		(204)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,054,034
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(626,500)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		54,410
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		1,677,585
Some expenses reported in the statement of activities (compensated absences), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		143,390
Change in net position of governmental activities		$ 1,882,032

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

		Agency Funds
Assets:		
Equity in pooled cash and cash equivalents	$	2,703,419
Loan receivable		2,394
Total assets	$	2,705,813
Liabilities:		
Intergovernmental payable		2,705,813
Total liabilities	$	2,705,813

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 43 noncertified, 84 certified staff that provides services to 10,106 students through the school districts in Geauga County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

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 entitled to or can otherwise access the organization's resources; 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 if 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. The Educational Service Center has no component units.

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Note 13 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

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

B. 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, except for fiduciary funds.

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

Fund Financial Statements - During the 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Educational Service Center are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

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

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

General Fund - The general fund is the general operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUND TYPE

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center's only fiduciary funds are agency. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center is the fiscal agent for the Lake-Geauga Computer Association and the iSTEM Geauga Early College High School, which are accounted for in agency funds.

D. Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements include only governmental activities.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Educational Service Center are included on the statement of net position.

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

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

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year in which resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Educational Service Center must provide local resources to be used for a specified 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: grants, investment earnings, tuition, customer services and charges for services, rentals and fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service Center, see Notes 10 and 11 for deferred outflows of resources related the Educational Service Center's net pension liability and net OPEB liability/asset, respectively.

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

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

For the Educational Service Center, see Notes 10 and 11 for deferred inflows of resources related to the Educational Service Center's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

F. Budgetary Data

In fiscal year 2004, the Educational Service Center's requirement to file budgetary information with the Ohio Department of Education (ODE) was eliminated. Even though the budgetary process for the Educational Service Center is discretionary, the Educational Service Center's Board does approve appropriations for all funds for control purposes. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Educational Service Center Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Educational Service Center's Board. The level of control has been established by the Educational Service Center's Board at the fund, function and object level for the general fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The Educational Service Center has elected to not present budgetary schedules as supplementary information for the general fund.

G. Cash and Investments

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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

During fiscal year 2019, the Educational Service Center invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their 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.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2019, the general fund received interest earned in the amount of $16,334 which includes $4,364 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. The Educational Service Center had no prepaid items at June 30, 2019.

I. Capital Assets

The Educational Service Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions 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 $1,000. The Educational Service Center does not possess any infrastructure. 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 capitalized.

All reported capital assets, other than land and construction in progress, 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 useful lives for furniture and fixtures of five to ten years.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits among the governmental activities are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

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

K. 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.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee's salaries are paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund statement of net position.

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

M. Interfund Transactions

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

N. Net Position

Net position represents the difference between assets and liabilities. Net investments 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 either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

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.

O. 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 resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not to be converted to cash.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center’s Board of Education; the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Educational Service Center’s Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund balance have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Educational Service Center’s Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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

P. Estimates

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

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Educational Service Center and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the Educational Service Center had neither type of transaction.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the Educational Service Center has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Educational Service Center.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balance

Fund balances at June 30, 2019 included a deficit fund balance of $599 in the Improving Teacher Quality nonmajor special revenue fund. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Educational Service Center into three categories:

Active monies, those monies are required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such monies must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies, those monies not required for use within the current five year period of designation of depositories. Inactive monies must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one point in time.

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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 upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

At June 30, 2019, the carrying amount of all the Educational Service Center deposits, was $663,065. Of the $933,037 bank balance, $329,152 was covered by the FDIC and $301,943 was covered by the Ohio Pooled Collateral System (OPCS), and $301,942 was exposed to custodial risk.

Custodial credit risk is the risk that, in the event of 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. The Educational Service Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Educational Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Educational Service Center's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The Educational Service Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

B. Investments

As of June 30, 2019, the Educational Service Center had the following investment and maturity:

Measurement/Investment type	Measurement Value	Investment Maturity 6 Months or Less
Amortized cost:		
STAR Ohio	$ 3,191,047	$ 3,191,047

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center's investment policy does not specifically address credit risk beyond required the Educational Service Center to invest in securities authorized by State statue.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Educational Service Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Educational Service Center places no limit on the amount that may be invested to any one issue. The following table includes the percentage of each investment type held by the Center at June 30, 2019:

Measurement/Investment type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 3,191,047	100.00

NOTE 5 - INTERFUND TRANSACTIONS

The iSTEM Geauga Early College High School agency fund loaned $2,394 to the Improving Teacher Quality nonmajor special revenue fund during fiscal year 2019. The loan between the governmental fund and the agency fund is reported as "loan receivable/payable" on the financial statements. The loan is expected to be repaid in the subsequent year as resources become available in the nonmajor special revenue fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2019 consisted of intergovernmental receivables (excess costs and tuition), intergovernmental grants, and amounts due from ODE. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Customer Sales & Services	$ 797,349
State foundation FTE adjustment	96
iSTEM Geauga Early College High School	57,237
Nonmajor Governmental Funds:	
Grants:	
Miscellaneous state grants	3,323
IDEA, Part B	4,387
Miscellaneous federal grants	5,625
Total Intergovernmental Receivables	$ 868,017

NOTE 7 - STATE AND LOCAL FUNDING

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

A. State Funding

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

State Per-Pupil Funding - One component of state funding is predicated on the per-pupil amounts. The per-pupil amount is applied to the total count of students of the client districts these entities serve. The law provides for $40,000,000 in fiscal years 2019, 2020 and 2021, respectively, for this purpose. As the appropriation for this funding is set and the funding is based on a constant per-pupil amount, it is often necessary and authorized by law for the fund distribution to be prorated in order to stay within the appropriations. As the data changes during the course of a fiscal year, so does the proration rate to maintain the appropriated levels.

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

NOTE 7 - STATE AND LOCAL FUNDING - (Continued)

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

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

B. Local Funding

ORC Section 3313.843 Contracts

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

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

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

NOTE 7 - STATE AND LOCAL FUNDING - (Continued)

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

ORC Section 3313.845 Contracts

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance 7/1/2018	Additions	Deductions	Balance 6/30/2019
Governmental activities:				
Capital assets, being depreciated:				
Furniture, fixtures and equipment	$ 177,810	$ -	$ -	$ 177,810
Total capital assets, being depreciated	177,810	-	-	177,810
Less: accumulated depreciation				
Furniture, fixtures and equipment	(169,618)	(4,407)	-	(174,025)
Total accumulated depreciation	(169,618)	(4,407)	-	(174,025)
Governmental activities capital assets, net	$ 8,192	$ (4,407)	$ -	$ 3,785

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 367
Special	712
Support services:	
Pupil	94
Instructional staff	878
Administration	568
Business	252
Pupil transportation	1,536
Total depreciation expense	$ 4,407

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 2019, the following activity occurred in governmental activities long-term obligations.

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Amounts due in one year
Governmental activities:					
Compensated absences payable	$ 354,987	$ 29,573	$ (162,853)	$ 221,707	$ 70,719
Net Pension Liability	16,988,938	-	(2,026,531)	14,962,407	-
Net OPEB Liability	4,113,521	110,660	(2,035,168)	2,189,013	-
Total liability	21,102,459	110,660	(4,061,699)	17,151,420	-
Total long-term obligations	$ 21,457,446	$ 140,233	$ (4,224,552)	$ 17,373,127	$ 70,719

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

Net Pension Liability - The Educational Service Center pays obligations related to employee compensation from the fund benefitting from their service. See Note 10 for details.

Net OPEB Liability - The Educational Service Center pays obligations related to employee compensation from the fund benefitting from their service. See Note 11 for details.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Educational Service Center is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $383,573 for fiscal year 2019. Of this amount, $11,982 is reported as intergovernmental payable.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The Educational Service Center was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS was $670,461 for fiscal year 2019. Of this amount, $64,773 is reported as 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, 2018, 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 projected contributions of all participating entities.

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.07695260%	0.05216198%	
Proportion of the net pension liability current measurement date	0.07830800%	0.04765181%	
Change in proportionate share	0.00135540%	-0.00451017%	
Proportionate share of the net pension liability	$ 4,484,844	$ 10,477,563	$ 14,962,407
Pension expense	$ 162,629	$ 463,871	$ 626,500

At June 30, 2019, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 245,963	$ 241,857	$ 487,820
Changes of assumptions	101,278	1,856,821	1,958,099
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	45,912	-	45,912
Contributions subsequent to the measurement date	383,573	670,461	1,054,034
Total deferred outflows of resources	$ 776,726	$ 2,769,139	$ 3,545,865

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 68,425	$ 68,425
Net difference between projected and actual earnings on pension plan investments	124,259	635,347	759,606
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	242,786	1,830,856	2,073,642
Total deferred inflows of resources	$ 367,045	$ 2,534,628	$ 2,901,673

$1,054,034 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 208,087	$ 314,956	$ 523,043
2021	3,309	21,966	25,275
2022	(147,180)	(463,174)	(610,354)
2023	(38,108)	(309,698)	(347,806)
Total	$ 26,108	$ (435,950)	$ (409,842)

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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
ESC's proportionate share of the net pension liability	$ 6,317,241	$ 4,484,844	$ 2,948,502

Actuarial Assumptions - STRS

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

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
ESC's proportionate share of the net pension liability	$ 15,301,102	$ 10,477,563	$ 6,395,092

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll 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 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Educational Service Center's surcharge obligation was $40,204.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was $54,410 for fiscal year 2019. Of this amount, $40,648 is reported as *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, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The 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:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.07744250%	0.05216198%	
Proportion of the net OPEB liability/asset current measurement date	0.07890410%	0.04765181%	
Change in proportionate share	0.00146160%	-0.00451017%	
Proportionate share of the net OPEB liability	$ 2,189,013	$ -	$ 2,189,013
Proportionate share of the net OPEB asset	$ -	$ (765,716)	$ (765,716)
OPEB expense	$ 55,201	$ (1,732,786)	$ (1,677,585)

At June 30, 2019, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 35,732	$ 89,438	$ 125,170
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	14,379	-	14,379
Contributions subsequent to the measurement date	54,410	-	54,410
Total deferred outflows of resources	$ 104,521	$ 89,438	$ 193,959

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 44,613	$ 44,613
Net difference between projected and actual earnings on pension plan investments	3,284	87,476	90,760
Changes of assumptions	196,666	1,043,348	1,240,014
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	97,711	386,606	484,317
Total deferred inflows of resources	$ 297,661	$ 1,562,043	$ 1,859,704

$54,410 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/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (132,899)	$ (266,401)	$ (399,300)
2021	(102,100)	(266,401)	(368,501)
2022	(4,574)	(266,399)	(270,973)
2023	(3,176)	(246,534)	(249,710)
2024	(3,401)	(239,564)	(242,965)
Thereafter	(1,400)	(187,306)	(188,706)
Total	$ (247,550)	$ (1,472,605)	$ (1,720,155)

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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. 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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
ESC's proportionate share of the net OPEB liability	$ 2,656,195	$ 2,189,013	$ 1,819,092

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
ESC's proportionate share of the net OPEB liability	$ 1,766,132	$ 2,189,013	$ 2,748,983

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

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 net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower 6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
ESC's proportionate share of the net OPEB asset	$ (656,290)	$ (765,716)	$ (857,683)

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ (852,491)	$ (765,716)	$ (677,589)

NOTE 12 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the Educational Service Center was insured under Love Insurance under the Ohio School Plan.

Professional liability was protected by the Ohio School Plan through Hylant Administrative Services with a $5,000,000 annual aggregate/$3,000,000 single occurrence limit and no deductible for each claim. Vehicles are also covered by the Ohio School Plan and have a $250 deductible for comprehensive and $500 deductible for collision. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a $1,000,000 combined single limit of liability. The Educational Service Center has an additional crime policy with a $250,000 limit through Travelers. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from prior years.

For fiscal year 2019, the Educational Service Center participated in the SchoolComp Group Retrospective Rating Program (Group Retro). The intent of the Group Retro is to reward participants that are able to keep their individual claim costs below a predetermined amount. The Educational Service Center continues to pay their individual premium; however, the Educational Service Center will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year.

NOTE 12 - RISK MANAGEMENT - (Continued)

At the end of each period, the Bureau of Workers Comp (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. CompManagement, Inc. provides administrative, cost control and actuarial services to the Group Retro program.

NOTE 13 - JOINTLY GOVERNED ORGANIZATION AND INSURANCE PURCHASING POOL

A. Jointly Governed Organization

The Lake-Geauga Education Computer Association ("Association") is a jointly governed organization consisting of 22 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Association is organized under Section 3313.92 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association's assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Painesville, Ohio, 44077.

B. Insurance Purchasing Pool

The Educational Service Center participates in a group rating plan for workers' compensation as established under section 4123.29 of the Oho Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program ("Plan") was established as an insurance purchasing pool.

The Plan'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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 14 - EMPLOYEE BENEFITS

A. Compensated Absences

Certified and Classified employees (that are 12-month employees) earn ten to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 280 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 70 days.

NOTE 14 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

The Educational Service Center provides $50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust.

NOTE 15 - CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and 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 financial position of the Educational Service Center.

B. Litigation

The Educational Service Center is not a part of or involved in any legal proceedings at this time. The Educational Service Center management is of the opinion that ultimate disposition of any future claims and legal proceedings will not have a material effect on the financial condition of the Educational Service Center.

C. School Foundation

Foundation funding is based on the annualized full-time (FTE) enrollment of each student. Traditional school students must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula ODE is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end.

As a result of the fiscal year 2019 ODE adjustments, the School is due $96 from ODE. This amount has been reported as an intergovernmental receivable in the financial statements.

NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS

In November 2019, the governing boards of the Geauga County Educational Service Center and the Lake County Educational Service Center entered into a resolution to merge the two entities, effective January 1, 2020, creating the Educational Service Center of the Western Reserve.

REQUIRED SUPPLEMENTARY INFORMATION

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2019	2018	2017	2016
Educational Service Center's proportion of the net pension liability	0.07830800%	0.07695260%	0.08427030%	0.85918200%
Educational Service Center's proportionate share of the share of the net pension liability	$ 4,484,844	$ 4,597,748	$ 6,167,808	$ 4,902,576
Educational Service Center's covered payroll	$ 2,540,356	$ 2,529,843	$ 2,580,693	$ 2,586,586
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered payroll	176.54%	181.74%	239.00%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014	
	0.09261400%		0.09261400%
$	4,687,142	$	5,507,457
$	2,691,169	$	2,251,091
	174.17%		244.66%
	71.70%		65.52%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
Educational Service Center's proportion net pension liability	0.04765181%	0.05216198%	0.05807517%	0.05877854%
Educational Service Center's proportionate share of the net pension liability	$ 10,477,563	$ 12,391,190	$ 19,439,510	$ 16,244,669
Educational Service Center's covered payroll	$ 5,353,357	$ 5,628,957	$ 6,095,664	$ 6,222,307
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered payroll	195.72%	220.13%	318.91%	261.07%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014
	0.05884779%	0.05884779%
	$ 14,313,819	$ 17,050,528
	$ 6,012,623	$ 4,972,162
	238.06%	342.92%
	74.70%	69.30%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 383,573	$ 342,948	$ 354,178	$ 361,297
Contributions in relation to the contractually required contribution	(383,573)	(342,948)	(354,178)	(361,297)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 2,841,281	$ 2,540,356	$ 2,529,843	$ 2,580,693
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015		2014		2013		2012		2011		2010
$	340,912	$	372,996	$	311,551	$	321,622	$	307,405	$	204,976
	(340,912)		(372,996)		(311,551)		(321,622)		(307,405)		(204,976)
$	-	$	-	$	-	$	-	$	-	$	-
$	2,586,586	$	2,691,169	$	2,251,091	$	2,391,242	$	2,445,545	$	1,513,855
	13.18%		13.86%		13.84%		13.45%		12.57%		13.54%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 670,461	$ 749,470	$ 788,054	$ 853,393
Contributions in relation to the contractually required contribution	(670,461)	(749,470)	(788,054)	(853,393)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 4,789,007	$ 5,353,357	$ 5,628,957	$ 6,095,664
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	871,123	$	781,641	$	646,381	$	714,209	$	747,058	$	691,338
	(871,123)		(781,641)		(646,381)		(714,209)		(747,058)		(691,338)
$	-	$	-	$	-	$	-	$	-	$	-
$	6,222,307	$	6,012,623	$	4,972,162	$	5,493,915	$	5,746,600	$	5,317,985
	14.00%		13.00%		13.00%		13.00%		13.00%		13.00%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
Educational Service Center's proportion net OPEB liability	0.07890410%	0.07744250%	0.08437550%
Educational Service Center's proportionate share of the net OPEB liability	$ 2,189,013	$ 2,078,353	$ 2,405,014
Educational Service Center's covered payroll	$ 2,540,356	$ 2,529,843	$ 2,580,693
Educational Service Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	86.17%	82.15%	93.19%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	2018	2017
Educational Service Center's proportion net OPEB liability/asset	0.04765181%	0.05216198%	0.05807517%
Educational Service Center's proportionate share of the net OPEB liability/(asset)	$ (765,716)	$ 2,035,168	$ 3,105,875
Educational Service Center's covered payroll	$ 5,353,357	$ 5,628,957	$ 6,095,664
Educational Service Center's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.30%	36.16%	50.95%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 54,410	$ 52,934	$ 39,217	$ 38,304
Contributions in relation to the contractually required contribution	(54,410)	(52,934)	(39,217)	(38,304)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 2,841,281	$ 2,540,356	$ 2,529,843	$ 2,580,693
Contributions as a percentage of covered payroll	1.91%	2.08%	1.55%	1.48%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	62,868	$	44,835	$	20,260	$	31,086	$	53,557	$	18,523
	(62,868)		(44,835)		(20,260)		(31,086)		(53,557)		(18,523)
$	-	$	-	$	-	$	-	$	-	$	-
$	2,586,586	$	2,691,169	$	2,251,091	$	2,391,242	$	2,445,545	$	1,513,855
	2.43%		1.67%		0.90%		1.30%		2.19%		1.22%

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER
GEAUGA COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Educational Service Center's covered payroll	$ 4,789,007	$ 5,353,357	$ 5,628,957	$ 6,095,664
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	-	$	60,078	$	53,361	$	54,939	$	53,361	$	53,180
	-		(60,078)		(53,361)		(54,939)		(53,361)		(53,180)
$	-	$	-	$	-	$	-	$	-	$	-
$	6,222,307	$	6,012,623	$	4,972,162	$	5,493,915	$	5,746,600	$	5,317,985
	0.00%		1.00%		1.00%		1.00%		1.00%		1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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OHIO AUDITOR OF STATE
KEITH FABER

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

Geauga County Educational Service Center
Geauga County
8221 Auburn Road
Concord Township, Ohio 44077

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Geauga County Educational Service Center, Geauga County, Ohio (the Center) as of and for the year ended June 30, 2019 and the period July 1, 2019 through December 31, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 22, 2021, wherein we noted the Center merged with the Lake County Educational Service Center to form the Educational Service Center of the Western Reserve effective January 1, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 22, 2021

OHIO AUDITOR OF STATE
KEITH FABER

GEAUGA COUNTY EDUCATIONAL SERVICE CENTER

GEAUGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 4/13/2021

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