JEFFERSON COUNTY
EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2020

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Members of the Board
Jefferson County Educational Service Center
2023 Sunset Blvd.
Steubenville, OH 43952

We have reviewed the *Independent Auditor's Report* of the Jefferson County Educational Service Center, Jefferson County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson County Educational Service Center is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 4, 2021

This page intentionally left blank.

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Governing Board
Jefferson County Educational Service Center
Steubenville, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Center. Also, as discussed in Note 3 to the basic financial statements, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual and the related notes present additional analysis and are not a required part of the basic financial statements.

We did not subject the Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 2, 2020

This page intentionally left blank.

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

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities decreased $75,955 which represents a 1.76% decrease from 2019.

- General revenues accounted for $442,505 in revenue or 5.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $7,037,075 or 94.08% of total revenues of $7,479,580.

- The ESC had $7,555,535 in expenses related to governmental activities; $442,505 of these expenses were offset by general revenues supporting governmental activities (unrestricted grants and entitlements). Program specific charges for services, grants or contributions of $7,037,075 were not adequate to provide for these programs.

- The ESC's major governmental funds are the general fund and the miscellaneous federal grants fund. The general fund had $6,517,487 in revenues and $6,662,807 in expenditures. During fiscal year 2020, the general fund's fund balance decreased $145,320 from $1,112,242 to $966,922.

- The miscellaneous federal grants fund had $580,384 in revenues and $458,766 in expenditures. During fiscal year 2020, the miscellaneous federal grants fund balance increased $121,618 from $5,416 to $127,034.

Using the Basic Financial Statements (BFS)

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 ESC 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 ESC, presenting both an aggregate view of the ESC'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 ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund and the miscellaneous federal grants fund are the most significant funds, and the only governmental funds reported as a major funds.

Reporting the ESC as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the ESC's net position and changes in that position. This change in net position is important because it tells the reader that, for the ESC as a whole, the financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts, state budget cuts, required educational programs and other factors.

In the statement of net position and statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, and other operations.

The ESC's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental funds begins on page 14. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's major governmental funds are the general fund and miscellaneous federal grants fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds

The ESC maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the ESC's various functions. The ESC's internal service fund accounts for medical/surgical, vision and dental self-insurance. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the ESC's Fiduciary Responsibilities

The activity presented as agency funds account for monies due to other governments, individuals or private organizations. The ESC is also the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. All of the ESC's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-63 of this report.

Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund, the alternative school fund, and the miscellaneous federal grants fund as supplementary information on pages 66-69 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the ESC's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 72-87 of this report.

The ESC as a Whole

Recall that the statement of net position provides the perspective of the ESC as a whole.

The table below provides a summary of the ESC's net position for fiscal years 2020 and 2019.

Net Position

	Governmental Activities 2020	Governmental Activities 2019
Assets		
Current and other assets	$ 3,311,029	$ 3,000,384
Net OPEB asset (Note 11)	238,956	240,657
Capital assets, net	565,002	572,380
Total assets	4,114,987	3,813,421
Deferred outflows of resources		
Pension (Note 10)	1,456,716	1,753,503
OPEB (Note 11)	297,838	119,610
Total deferred outflows of resources	1,754,554	1,873,113
Liabilities		
Current liabilities	551,925	469,037
Long-term liabilities:		
Due within one year	210,504	174,944
Due in more than one year:		
Net pension liability (Note 10)	6,487,798	6,124,291
Net OPEB liability (Note 11)	1,352,016	1,378,787
Other amounts	170,791	135,911
Total liabilities	8,773,034	8,282,970
Deferred inflows of resources		
Pension (Note 10)	602,503	944,741
OPEB (Note 11)	881,024	770,888
Total deferred inflows of resources	1,483,527	1,715,629
Net Position		
Net Investment in capital assets	561,525	567,420
Restricted	218,624	119,205
Unrestricted (deficit)	(5,168,169)	(4,998,690)
Total net position (deficit)	$ (4,388,020)	$ (4,312,065)

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 ESC'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.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the ESC'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 ESC 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 ESC'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, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the ESC's liabilities and deferred inflows exceeded assets and deferred outflows by $4,388,020, of this total; $218,624 is restricted in use.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 10 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 11 for more detail.

Current and other assets increased primarily in the areas of cash with fiscal agent due to operations of the Jefferson Health Plan. Long-term liabilities increased as a result of an increase in the net pension liability discussed above. This increase is outside of the control of the ESC. The ESC contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to ESC employees, not the ESC.

At year-end, capital assets represented 13.73% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2020 was $561,525. These capital assets are used to provide the ESC's services and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

$218,624 of the ESC's net position is subject to external restriction on how it may be used. The remaining balance of unrestricted net position is a deficit of $5,168,169. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68 and net OPEB liability required by GASB 75..

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

Change in Net Position

	Governmental Activities 2020	Governmental Activities 2019
Revenues		
Program revenues:		
Charges for services and sales	$ 6,326,374	$ 5,492,313
Operating grants and contributions	710,701	696,190
General revenues:		
Grants and entitlements	392,467	338,923
Investment earnings	49,003	33,359
Other	1,035	223
Total revenues	7,479,580	6,561,008
Expenses		
Program expenses:		
Instruction:		
Regular	$ 557,671	$ 423,078
Special	600,235	435,453
Other	10,500	10,500
Support services:		
Pupil	1,425,324	1,078,598
Instructional staff	1,400,758	1,383,730
Board of education	13,990	16,595
Administration	2,366,977	1,826,804
Fiscal	645,194	511,270
Business	73,316	54,361
Operations and maintenance	59,536	45,065
Pupil transportation	1,982	4,255
Central	10,000	10,000
Operation of non-instructional services	389,837	369,601
Interest and fiscal charges	215	286
Total expenses	7,555,535	6,169,596
Change in net position	(75,955)	391,412
Net position (deficit) at beginning of year	(4,312,065)	(4,703,477)
Net position (deficit) at end of year	$ (4,388,020)	$ (4,312,065)

Governmental Activities

Net position of the ESC's governmental activities decreased $75,955. Total governmental expenses of $7,555,535 were offset by program revenues of $7,037,075 and general revenues of $442,505 were not adequate to provide for the remaining expenses.

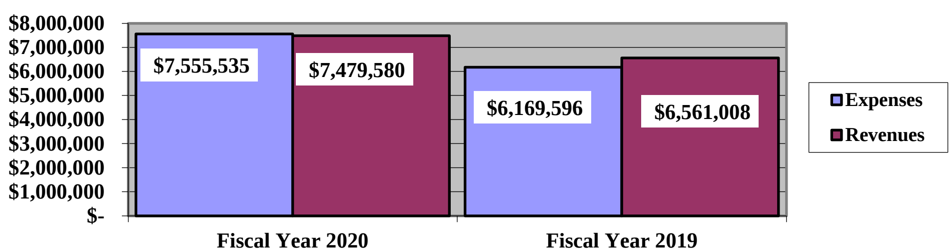
The primary sources of revenue for governmental activities are derived from contracted fees for services provided to other entities. This revenue source represents 84.58% of total governmental revenue.

Overall, expenses of the governmental activities increased $1,385,939 or 22.46%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in a prior fiscal year.

On an accrual basis, the ESC reported $986,598 and $648,150 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the ESC reported ($66,945) and ($506,947) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was $778,450. 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 graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2020 and 2019.

Governmental Activities - Revenues and Expenses



As discussed above, fluctuations in the pension expense reported under GASB 68 and GASB75 makes it difficult to compare financial information between years. Pension expense is a component of Total Cost of Services and Net Cost of Services reported on the statement of activities. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements, and other general revenues not restricted to a specific program.

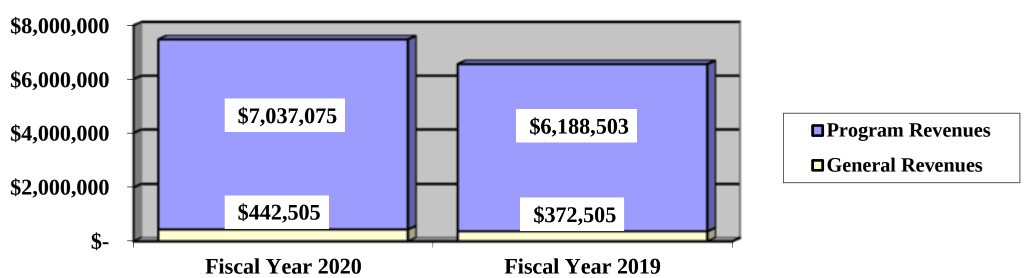
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program expenses				
Instruction:				
Regular	$ 557,671	$ (301,014)	$ 423,078	$ (352,699)
Special	600,235	(875,048)	435,453	(980,861)
Other	10,500	3,034	10,500	3,276
Support services:				
Pupil	1,425,324	383,261	1,078,598	227,406
Instructional staff	1,400,758	346,605	1,383,730	317,488
Board of education	13,990	4,265	16,595	4,681
Administration	2,366,977	643,066	1,826,804	492,718
Fiscal	645,194	207,446	511,270	137,863
Business	73,316	(16,181)	54,361	(7,974)
Operations and maintenance	59,536	16,845	45,065	11,711
Pupil transportation	1,982	(451)	4,255	(196)
Central	10,000	(4,074)	10,000	(3,226)
Operations of non-instructional services	389,837	110,491	369,601	130,620
Interest and fiscal charges	215	215	286	286
Total	$ 7,555,535	$ 518,460	$ 6,169,596	$ (18,907)

For all governmental activities, program revenue support is 93.14%. The primary support of the ESC is contracted fees for services provided to other districts.

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

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds (as presented on the balance sheet) reported a combined fund balance of $1,123,745, which is less than last year's total of $1,151,743. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019.

	Fund Balance June 30, 2020	Fund Balance June 30, 2019	Change
General	$ 966,922	$ 1,112,242	$ (145,320)
Miscellaneous federal grants	127,034	5,416	121,618
Other governmental	29,789	34,085	(4,296)
Total	$ 1,123,745	$ 1,151,743	$ (27,998)

General Fund

The ESC's general fund balance decreased $145,320. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2020 Amount	2019 Amount	Percentage Change
Revenues			
Services provided to other entities	$ 4,686,205	$ 3,762,909	24.54 %
Tuition	1,424,000	1,496,511	(4.85) %
Earnings on investments	9,008	13,666	(34.08) %
Intergovernmental	391,939	338,923	15.64 %
Other revenues	6,335	4,923	28.68 %
Total	$ 6,517,487	$ 5,616,932	16.03 %
Expenditures			
Instruction	$ 940,329	$ 501,347	87.56 %
Support services	5,358,111	4,685,936	14.34 %
Operation of non-instructional services	362,669	325,153	11.54 %
Debt service	1,698	1,696	0.12 %
Total	$ 6,662,807	$ 5,514,132	20.83 %

During fiscal year 2020, the ESC reported more revenue for services performed for other entities than it did in the prior year due to reimbursement of personnel costs from Lakeland Academy. The revenue for services performed to other entities for the fiscal years ended June 30, 2020, 2019 and 2018 was $4,686,205, $3,762,909 and $2,943,755, respectively. Intergovernmental revenue increased primarily due to an increase in foundation provided by the State of Ohio. Other revenues increased primarily due to receiving more donations. Earnings on investments decreased primarily due to a decrease in interest rates earned on investments. Instruction expenditures increased primarily in the area of regular instruction expenditures. Support services increased primarily in the area of administration expenditures. Operation of non-instructional increased due to personnel costs associated with services performed for the Jefferson Family and Children First Council (FCFC). The ESC bills the FCFC for these services. All other expenditures remained comparable to the prior year.

Miscellaneous federal grants fund

The miscellaneous federal grants fund had $580,384 in revenues and $458,766 in expenditures. During fiscal year 2020, the miscellaneous federal grants fund balance increased $121,618 from $5,416 to $127,034. This fund accounts for various grants including the 21st century grant, the striving readers grant, and the multi-system youth block grant.

Capital Assets and Debt Administration

Capital Assets

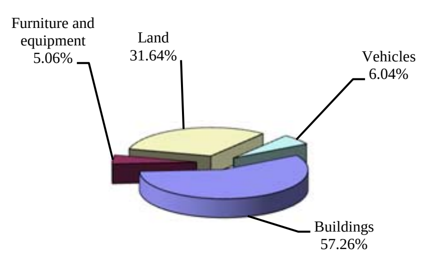
At the end of fiscal year 2020, the ESC had $565,002 invested in land, buildings, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2020 balances compared to June 30, 2019:

Capital Assets at June 30
(Net of Depreciation)

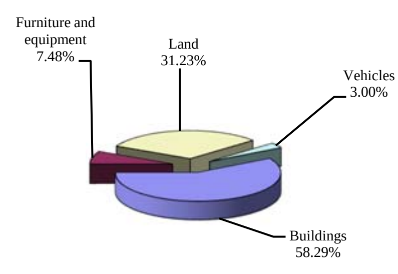
	Governmental Activities	
	2020	2019
Land	$ 178,782	$ 178,782
Buildings	323,507	333,640
Furniture and equipment	28,586	42,794
Vehicles	34,127	17,164
Total	$ 565,002	$ 572,380

In total capital assets decreased $7,378 for fiscal year 2020. A total of $34,588 in depreciation expense in fiscal year 2020 exceeded capital additions of $27,210. The graphs below present the ESC's capital assets at June 30, 2020 and June 30, 2019.

Capital Assets - Governmental Activities
2020



Capital Assets - Governmental Activities
2019



See Note 6 to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2020 the ESC had $3,477 in capital lease obligations outstanding. The following table summarizes the capital lease obligations outstanding.

Outstanding Capital Lease Debt, at Year End

	Governmental Activities 2020	Governmental Activities 2019
Capital lease obligation	$ 3,477	$ 4,960

See Note 8 to the basic financial statements for detail on the ESC's debt administration.

Current Financial Related Activities

The ESC is financially solvent. As the preceding information shows, the ESC relies heavily on contracts with local, city, and JVS school districts in Jefferson, Harrison and Columbiana Counties, as well as State foundation revenue, and grants. The need for additional services from local and city school districts, which is paid for by excess costs, State funding and grants will provide the ESC with necessary funds to meet operating expenses in fiscal year 2020. However, the future financial stability of the ESC is not without concerns.

Declining enrollment in Jefferson County remains a concern of the ESC. State funding for the ESC and the districts is based on average daily membership of participating school districts. Continued decline in enrollment will have a direct impact on state revenues received by school districts and the amount of services they will need from the ESC. As district revenues decline, they rely on the ESC for services and personnel they cannot employ at the district level. With little to no increases from the State, the ESC is forced to try to do more with limited resources.

Each year, school districts need additional services. Therefore, the ESC is constantly collecting data, monitoring program activity, and stepping forward to provide new services while still maintaining a financially solvent operation. The Virtual Learning Academy has added a new dimension for generating revenues, not only throughout the state of Ohio, but also throughout all fifty states and twenty-three countries overseas. In addition, the health benefits program continues to grow. The program currently insures over 22,000 employees and has contracts with over one hundred eighty entities throughout the states of Ohio, Michigan and Tennessee.

ESC systems of internal control and procedures are reviewed throughout the year to insure a cost-efficient operation.

Contacting the ESC's Financial Management

This financial report is designed to provide the citizens supported by the districts, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Don Donahue, Treasurer, Jefferson County ESC, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 1,221,794
Cash with fiscal agent	1,545,739
Receivables:	
Intergovernmental	477,893
Prepayments	65,204
Materials and supplies inventory	399
Net OPEB asset (Note 11)	238,956
Capital assets:	
Nondepreciable capital assets	178,782
Depreciable capital assets, net	386,220
Capital assets, net	565,002
Total assets	4,114,987
Deferred outflows of resources:	
Pension (Note 10)	1,456,716
OPEB (Note 11)	297,838
Total deferred outflows of resources	1,754,554
Liabilities:	
Accounts payable	35,980
Accrued wages and benefits payable	357,054
Intergovernmental payable	12,196
Pension and postemployment benefits payable	82,293
Claims payable	64,402
Long-term liabilities:	
Due within one year	210,504
Due in more than one year:	
Net pension liability (Note 10)	6,487,798
Net OPEB liability (Note 11)	1,352,016
Other amounts	170,791
Total liabilities	8,773,034
Deferred inflows of resources:	
Pension (Note 10)	603,503
OPEB (Note 11)	881,024
Total deferred inflows of resources	1,484,527
Net position:	
Net investment in capital assets	561,525
Restricted for:	
State funded programs	24,339
Federally funded programs	187,142
Other purposes	7,143
Unrestricted (deficit)	(5,168,169)
Total net position (deficit)	$ (4,388,020)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 557,671	$ 715,075	$ 143,610	$ 301,014
Special	600,235	1,469,983	5,300	875,048
Other	10,500	7,466	-	(3,034)
Support services:				
Pupil	1,425,324	945,313	96,750	(383,261)
Instructional staff	1,400,758	897,836	156,317	(346,605)
Board of education	13,990	9,725	-	(4,265)
Administration	2,366,977	1,543,951	179,960	(643,066)
Fiscal	645,194	437,748	-	(207,446)
Business	73,316	1,107	88,390	16,181
Operations and maintenance	59,536	40,302	2,389	(16,845)
Pupil transportation	1,982	-	2,433	451
Central	10,000	-	14,074	4,074
Operation of non-instructional services	389,837	257,868	21,478	(110,491)
Interest and fiscal charges	215	-	-	(215)
Total governmental activities	$ 7,555,535	$ 6,326,374	$ 710,701	(518,460)

General revenues:	
Grants and entitlements not restricted to specific programs	392,467
Investment earnings	49,003
Miscellaneous	1,035
Total general revenues	442,505
Change in net position	(75,955)
Net position (deficit) at beginning of year	(4,312,065)
Net position (deficit) at end of year	$ (4,388,020)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Miscellaneous Federal Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	$ 1,164,721	$ 13,672	$ 43,401	$ 1,221,794
Receivables:				
Interfund loans	63,506	-	-	63,506
Intergovernmental	195,139	249,353	33,401	477,893
Prepayments	64,280	924	-	65,204
Materials and supplies inventory	399	-	-	399
Total assets	$ 1,488,045	$ 263,949	$ 76,802	$ 1,828,796
Liabilities:				
Accounts payable	$ 31,577	$ 4,368	$ 35	$ 35,980
Accrued wages and benefits payable	324,242	2,730	30,082	357,054
Intergovernmental payable	5,458	6,340	398	12,196
Pension and postemployment benefits payable	73,115	3,167	6,011	82,293
Interfund loans payable	-	53,019	10,487	63,506
Total liabilities	434,392	69,624	47,013	551,029
Deferred inflows of resources:				
Intergovernmental revenue not available	528	67,291	-	67,819
Contract service revenue not available	86,203	-	-	86,203
Total deferred inflows of resources	86,731	67,291	-	154,022
Fund balances:				
Nonspendable:				
Materials and supplies inventory	399	-	-	399
Prepaids	64,280	924	-	65,204
Restricted:				
Special education	-	-	7,143	7,143
Other purposes	-	126,110	24,339	150,449
Assigned:				
Student instruction	88	-	-	88
Student and staff support	4,725	-	-	4,725
Other purposes	55	-	-	55
Unassigned	897,375	-	(1,693)	895,682
Total fund balances	966,922	127,034	29,789	1,123,745
Total liabilities, deferred inflows, and fund balances	$ 1,488,045	$ 263,949	$ 76,802	$ 1,828,796

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		$	1,123,745
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.			565,002
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Intergovernmental receivable			154,022
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,481,337
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension	1,456,716		
Deferred inflows of resources - pension	(603,503)		
Net pension liability	(6,487,798)		
Total			(5,634,585)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - OPEB	297,838		
Deferred inflows of resources - OPEB	(881,024)		
Net OPEB asset	238,956		
Net OPEB liability	(1,352,016)		
Total			(1,696,246)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations	(3,477)		
Compensated absences	(377,818)		
Total			(381,295)
Net position (deficit) of governmental activities		$	(4,388,020)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

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

	General	Miscellaneous Federal Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Services provided to other entities	$ 4,686,205	$ -	$ -	$ 4,686,205
Tuition.	1,424,000	-	166,131	1,590,131
Earnings on investments	9,008	-	-	9,008
Contributions and donations	5,300	-	300	5,600
Other local revenues	1,035	-	-	1,035
Intergovernmental - state	391,939	147,583	142,034	681,556
Intergovernmental - federal	-	432,801	-	432,801
Total revenues	6,517,487	580,384	308,465	7,406,336
Expenditures:				
Current:				
Instruction:				
Regular.	315,942	52,522	181,717	550,181
Special	613,887	-	-	613,887
Other	10,500	-	-	10,500
Support services:				
Pupil	1,277,961	55,179	66,642	1,399,782
Instructional staff	1,262,728	127,361	-	1,390,089
Board of education	13,677	-	-	13,677
Administration	2,135,652	130,207	46,267	2,312,126
Fiscal	615,654	-	-	615,654
Business.	-	71,302	2,014	73,316
Operations and maintenance	52,439	-	5,485	57,924
Pupil transportation	-	1,982	-	1,982
Central	-	10,000	-	10,000
Operation of non-instructional services	362,669	10,213	10,636	383,518
Debt service:				
Principal retirement.	1,483	-	-	1,483
Interest and fiscal charges	215	-	-	215
Total expenditures	6,662,807	458,766	312,761	7,434,334
Net change in fund balances	(145,320)	121,618	(4,296)	(27,998)
Fund balances at beginning of year.	1,112,242	5,416	34,085	1,151,743
Fund balances at end of year.	$ 966,922	$ 127,034	$ 29,789	$ 1,123,745

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

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

Net change in fund balances - total governmental funds		$ (27,998)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	$ 27,210	
Current year depreciation	(34,588)	
Total		(7,378)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental revenue		33,249
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,483
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		667,542
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(986,598)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		26,217
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.		66,945
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(71,923)
An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		222,506
Change in net position of governmental activities		$ (75,955)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	$ 1,545,739
Liabilities:	
Current liabilities:	
Claims payable	64,402
Net position:	
Unrestricted	$ 1,481,337

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	$ 973,239
Operating expenses:	
Claims	790,728
Operating income	182,511
Nonoperating revenues:	
Interest revenue	39,995
Change in net position	222,506
Net position at beginning of year.	1,258,831
Net position at end of year	$ 1,481,337

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	$ 973,239
Cash payments for claims	(819,028)
Net cash provided by operating activities	154,211
Cash flows from investing activities:	
Interest received	39,995
Net increase in cash with fiscal agent	194,206
Cash with fiscal agent at beginning of year	1,351,533
Cash with fiscal agent at end of year	$ 1,545,739
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 182,511
Changes in assets and liabilities:	
Decrease in claims payable	(28,300)
Net cash provided by operating activities	$ 154,211

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Private-Purpose Trust	
	Scholarship	**Custodial**
Assets:		
Equity in pooled cash		
and cash equivalents	$ 12,880	$ 122,075
Cash and investments in segregated accounts	-	175,470,829
Receivables:		
Accrued interest	6	513,867
Due from other governments	-	68,654
Total assets	12,886	176,175,425
Liabilities:		
Accounts payable	-	4,048
Due to other governments	-	174,527
Pension obligation payable	-	16
Total liabilities	-	178,591
Net position:		
Restricted for individuals, organizations and other governments	12,886	175,996,834
Total net position	$ 12,886	$ 175,996,834

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Private-Purpose Trust	
	Scholarship	**Custodial**
Additions:		
Earnings on investments	$ 272	$ -
Amounts collected as fiscal agent	-	26,806,308
Total additions	272	26,806,308
Deductions:		
Distributions as fiscal agent	-	741,802
Change in net position	272	26,064,506
Net position at beginning of year (restated)	12,614	149,932,328
Net position at end of year	$ 12,886	$ 175,996,834

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

NOTE 1 - DESCRIPTION OF THE ESC

The Jefferson County Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The ESC is defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Governing Board (five members). The following services are provided to the local school districts and city school districts under contract in Jefferson, Harrison and Columbiana counties:

Vocational Educational Services
General Instructional Services
Speech, Hearing and Language Services
Special Projects Coordination
Talented and Gifted Program
Special Educational Services
Psychological Services
Administrative Services
Developmental Handicapped and Disability Classroom Supervision

Average daily membership as of June 30, 2020 was 10,788. The Governing Board employed 40 certified employees and 59 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the ESC 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 ESC's significant accounting policies are described below.

A. Reporting Entity

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)
Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The continued existence of OMERESA is not dependent on the ESC's continued participation and no equity interest exists. OMERESA has no outstanding debt. During fiscal year 2020, the ESC paid $23,144 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

PUBLIC ENTITY RISK POOLS

Jefferson Health Plan (the "Health Plan")
The ESC participates in the Jefferson Health Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine-member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from $35,000 to $150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and $500,000, and all claims between the deductible and the $500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants.

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

All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding $500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third-party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

During fiscal year 2020, the ESC was fiscal agent for the Health Plan (See Note 4.B.).

Workers' Compensation Group Rating Program

The ESC participates in the Ohio Association of School Business Officials (OASBO)/ CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The ESC pays a fee to the GRP to cover the costs of administering the program. Refer to Note 9.B. for further information on the GRP.

B. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Miscellaneous federal grants fund - The miscellaneous federal grants fund is used to account for and report all financial resources and expenditures restricted for various grants including the 21st century grant, the striving readers grant, and the multi-system youth block grant.

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

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

PROPRIETARY FUND

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the ESC's proprietary fund:

<u>Internal service fund</u> - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the ESC or to other governments, on a cost-reimbursement basis. The internal service fund of the ESC accounts for a self-insurance program which provides medical benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The ESC's trust fund is a private-purpose trust which accounts for scholarships. The ESC's custodial funds account for various resources held as fiscal agent for the Jefferson Health Plan and the Jefferson County Family and Children First Council.

C. Basis of Presentation and Measurement Focus

<u>Government-Wide Financial Statements</u> - The statement of net position and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the ESC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 ESC. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the ESC.

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

Fund Financial Statements - Fund financial statements report detailed information about the ESC. 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. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the ESC finances and meets the cash flow needs of its proprietary activities.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the ESC's internal service fund is charges for services. Operating expenses for internal service funds include the claims expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

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

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC 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: tuition, grants, accrued interest, and contract services.

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the ESC, see Note 10 and Note 11 for deferred outflows of resources related the ESC's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the ESC, 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 ESC, unavailable revenue includes contract services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized 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.

E. Budgets

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

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

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Governing Board approve appropriations and estimated resources. The ESC's Governing Board adopts an annual appropriation resolution, which is the Governing Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. Budgetary information for the general fund and miscellaneous federal grants fund has been presented as supplementary information to the basic financial statements.

F. Cash and Investments

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

During fiscal year 2020, the ESC's investments were limited to non-negotiable certificates of deposits and State Treasury Asset Reserve (STAR) Plus. Investments in nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are recorded at cost.

In fiscal year 2020, the ESC invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board investment earnings are assigned to the general fund, the Self-Insurance internal service fund, (which is maintained by a fiscal agent in an interest-bearing account separate from the ESC's internal investment pool), and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2020 amounted to $9,008, which includes $541 assigned from other ESC funds.

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

An analysis of the ESC's investment account at year end is provided in Note 4.

G. Capital Assets

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The ESC maintains a capitalization threshold of $5,000. The ESC 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.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings	40 years
Furniture and equipment	5 - 30 years
Vehicles	10 years

H. Interfund Balances

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if (a) the employees' rights to payment are attributable to services already rendered; and (b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and for all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

K. Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

L. Fund Balance

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

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the ESC 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 ESC Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the ESC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepayments 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 in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of the net current position.

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

O. Estimates

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the ESC, these revenues are charges for services for a self-insurance program. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. During fiscal year 2020, the ESC had no interfund activity.

R. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, 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.

S. 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 Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the ESC has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the ESC will no longer be reporting agency funds. The ESC reviewed its agency funds, and those funds will now be reported in the new fiduciary classification of custodial funds. These fund reclassifications resulted in the restatement of the ESC's fiduciary financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the ESC.

B. Restatement of Fiduciary Net Position

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of $149,932,328. Also, related to the implementation of GASB Statement No. 84, the ESC will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of $150,111,306.

C. Deficit Fund Balances

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

Nonmajor funds	Deficit
Children's Trust	$ 1,693

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal Agent

The ESC is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2020, was $1,545,739.

B. Cash and Investments in Segregated Accounts

The ESC is fiscal agent for the Jefferson Health Plan (See Note 2.A.). At June 30, 2020, $175,470,829 was held in custodial funds on behalf of the Health Plan. The deposits and investments of the Health Plan are held separate from the ESC internal cash management pool. The data regarding insurance and collateralization of the Health Plan deposits and investments can be obtained from the entity's separate financial statements for the fiscal year ended June 30, 2020.

C. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all ESC deposits was $1,356,749 and the bank balance of all ESC deposits was $1,428,544. Of the bank balance, $856,405 was covered by the FDIC, $338,986 was covered by the Ohio Pooled Collateral System, and $233,153 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the ESC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The ESC 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 ESC 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 ESC's financial institution was 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 ESC to a successful claim by the FDIC.

D. Investments

The ESC had no investments at June 30, 2020.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

Cash and investments per note	
Carrying amount of deposits	$ 1,356,749
Cash with fiscal agent	1,545,739
Cash and investments in segregated accounts	175,470,829
Total	$ 178,373,317
Cash and investments per statement of net position	
Governmental activities	$ 2,767,533
Private-purpose trust funds	12,880
Custodial funds	175,592,904
Total	$ 178,373,317

NOTE 5 - RECEIVABLES

Receivables at June 30, 2020 consisted of intergovernmental (billings to school districts for user charged services, tuition and accrued interest) and accounts. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Intergovernmental	$ 477,893

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

THIS SPACE INTENTIONALLY LEFT BLANK

NOTE 6 - CAPITAL ASSETS

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

	Balance 06/30/19	Additions	Deductions	Balance 06/30/20
Govermental activities:				
Capital assets, not being depreciated:				
Land	$ 178,782	$ -	$ -	$ 178,782
Total capital assets, not being depreciated	178,782	-	-	178,782
Capital assets, being depreciated:				
Buildings	453,185	-	-	453,185
Furniture and equipment	223,159	5,062	-	228,221
Vehicles	47,939	22,148	-	70,087
Total capital assets, being depreciated	724,283	27,210	-	751,493
Less: accumulated depreciation:				
Buildings	(119,545)	(10,133)	-	(129,678)
Furniture and equipment	(180,365)	(19,270)	-	(199,635)
Vehicles	(30,775)	(5,185)	-	(35,960)
Total accumulated depreciation	(330,685)	(34,588)	-	(365,273)
Governmental activities capital assets, net	$ 572,380	$ (7,378)	$ -	$ 565,002

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$ 453
Support services:	
Administration	34,135
Total depreciation expense	$ 34,588

NOTE 7 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2018, ESC entered into a capital lease agreement for copier equipment. This lease replaces copiers previously under a capital lease obligation. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of $25,613. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2020 was $22,616, leaving a current book value of $2,997. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in the 2020 fiscal year totaled $1,483 and $215, respectively, paid by the general fund.

NOTE 7 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	Amount
2021	$ 1,696
2022	1,697
2023	283
Total minimum lease payments	3,676
Less: Amount representing interest	(199)
Total	$ 3,477

NOTE 8 - LONG-TERM OBLIGATIONS

During fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

	Balance 06/30/19	Additions	Reductions	Balance 06/30/20	Amounts Due in One Year
Capital lease obligations	$ 4,960	$ -	$ (1,483)	$ 3,477	$ 1,558
Compensated absences	305,895	245,384	(173,461)	377,818	208,946
Net pension liability	6,124,291	465,917	(102,410)	6,487,798	-
Net OPEB liability	1,378,787	-	(26,771)	1,352,016	-
Total	$ 7,813,933	$ 711,301	$ (304,125)	$ 8,221,109	$ 210,504

Capital Lease Obligation
See Note 7 for further information on the ESC's capital lease obligations.

Compensated Absences
Compensated absences will be paid from the fund from which the employees' salaries are paid, which consist of the general fund.

Net Pension Liability
See Note 10 for further information on the ESC's net pension liability. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset
See Note 11 for further information on the ESC's net OPEB liability/asset. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 9 - RISK MANAGEMENT

A. Comprehensive

The ESC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The ESC has a comprehensive property and casualty policy through Schools of Ohio Risk Sharing Authority. There is no deductible on any occurrences except $50,000 on Earth Movement and Floods. All Board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are $2,000,000 per occurrence and $8,000,000 per aggregate. The treasurer is covered under a surety bond in the amount of $250,000. The ESC also has an Employed Lawyers Liability policy through Illinois National Insurance Company. The policy covers up to $1,000,000 of liability for an in-house attorney.

Settled claims have not exceeded this commercial coverage in the past three years. There has been no significant reduction in coverage from fiscal year 2020.

B. Group Workers' Compensation Rating Plan

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

C. Employee Group Life, Medical, Dental and Vision Insurance

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. The ESC is a member of a claims servicing pool, consisting of school districts and other entities throughout the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the ESC's behalf. The plan is administered through the Jefferson Health Plan and provides stop loss protection of claims over $1,500,000 per individual per year. The claims liability of $64,402 as reported in the internal service fund at June 30, 2020, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2020	$ 92,702	$ 790,728	$ (819,028)	$ 64,402
2019	51,822	941,017	(900,137)	92,702

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. 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 ESC'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 ESC's obligation for this liability to annually required payments. The ESC cannot control benefit terms or the manner in which pensions are financed; however, the ESC 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 pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description - The ESC 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 ESC is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The ESC's contractually required contribution to SERS was $327,330 for fiscal year 2020. Of this amount, $15,445 is reported as pension and postemployment benefits payable.

C. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 ESC 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 ESC’s contractually required contribution to STRS was $340,212 for fiscal year 2020. Of this amount, $30,103 is reported as pension and postemployment benefits payable.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

D. 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 ESC 's proportion of the net pension liability was based on the ESC '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	0.04943610%	0.01497649%	
Proportion of the net pension liability current measurement date	0.05510810%	0.01442763%	
Change in proportionate share	0.00567200%	-0.00054886%	
Proportionate share of the net pension liability	$ 3,297,214	$ 3,190,584	$ 6,487,798
Pension expense	$ 654,496	$ 332,102	$ 986,598

At June 30, 2020, the ESC 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	$ 83,610	$ 25,974	$ 109,584
Changes of assumptions	-	374,795	374,795
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	184,361	120,434	304,795
Contributions subsequent to the measurement date	327,330	340,212	667,542
Total deferred outflows of resources	$ 595,301	$ 861,415	$ 1,456,716

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 13,811	$ 13,811
Net difference between projected and actual earnings on pension plan investments	42,325	155,935	198,260
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	107,452	283,980	391,432
Total deferred inflows of resources	$ 149,777	$ 453,726	$ 603,503

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

$667,542 reported as deferred outflows of resources related to pension resulting from ESC 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	$ 109,403	$ 75,762	$ 185,165
2022	(12,393)	(490)	(12,883)
2023	(2,816)	(4,401)	(7,217)
2024	24,000	(3,394)	20,606
Total	$ 118,194	$ 67,477	$ 185,671

E. 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)

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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 ESC'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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 4,620,576	$ 3,297,214	$ 2,187,410

F. Actuarial Assumptions - STRS

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

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

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 4,662,683	$ 3,190,584	$ 1,944,377

NOTE 11 - DEFINED BENEFIT OPEB PLANS

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

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

B. Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The GDA 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 fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, 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 fiscal year 2020, the GDA's surcharge obligation was $26,217.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The ESC's contractually required contribution to SERS was $26,217 for fiscal year 2020. Of this amount, $26,217 is reported as pension and postemployment benefits payable.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prESCription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

D. 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 ESC 's proportion of the net OPEB liability/asset was based on the ESC '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	0.04969910%	0.01497649%	
Proportion of the net OPEB liability/asset current measurement date	0.05376260%	0.01442763%	
Change in proportionate share	0.00406350%	-0.00054886%	
Proportionate share of the net OPEB liability	$ 1,352,016	$ -	$ 1,352,016
Proportionate share of the net OPEB asset	$ -	$ 238,956	$ 238,956
OPEB expense	$ 7,754	$ (74,699)	$ (66,945)

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2020, the GDA 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	$ 19,847	$ 21,663	$ 41,510
Net difference between projected and actual earnings on OPEB plan investments	3,247	-	3,247
Changes of assumptions	98,749	5,023	103,772
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	90,234	32,858	123,092
Contributions subsequent to the measurement date	26,217	-	26,217
Total deferred outflows of resources	$ 238,294	$ 59,544	$ 297,838

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 297,029	$ 12,158	$ 309,187
Net difference between projected and actual earnings on OPEB plan investments	-	15,008	15,008
Changes of assumptions	75,763	261,988	337,751
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	186,783	32,295	219,078
Total deferred inflows of resources	$ 559,575	$ 321,449	$ 881,024

$26,217 reported as deferred outflows of resources related to OPEB resulting from ESC 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	$ (110,607)	$ (58,582)	$ (169,189)
2022	(63,751)	(58,582)	(122,333)
2023	(62,800)	(52,567)	(115,367)
2024	(62,955)	(50,458)	(113,413)
2025	(37,919)	(41,873)	(79,792)
Thereafter	(9,466)	157	(9,309)
Total	$ (347,498)	$ (261,905)	$ (609,403)

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

E. Actuarial Assumptions - SERS

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

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

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

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

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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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 3.13% was used as of June 30, 2019. 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 ESC'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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.22%)	Current (3.22%) Discount Rate	1% Increase (4.22%)
ESC's proportionate share of the net OPEB liability	$ 1,641,091	$ 1,352,016	$ 1,122,168

	1% Decrease (6.00% decrease to 3.75%)	Current Trend Rate (7.00% decrease to 4.75%)	1% Increase (8.00% decrease to 5.75%)
ESC's proportionate share of the net OPEB liability	$ 1,083,239	$ 1,352,016	$ 1,708,619

F. 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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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 ESC'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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current (7.45%) Discount Rate	1% Increase (8.45%)
ESC's proportionate share of the net OPEB asset	$ 203,902	$ 238,956	$ 268,429

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 270,965	$ 238,956	$ 199,753

NOTE 12 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the ESC.

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

NOTE 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the ESC. The ESC's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the ESC's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 14 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget. Part (B) of the budget is funded in the following way: $37.00 times the Average Daily Membership (ADM-the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the local school ESCs to which the ESC provides services from payments made under the State's foundation program. Simultaneously, $26.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC. This amount is pro-rated to stay within the appropriation in each fiscal year.

NOTE 15 - COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 4,868
Miscellaneous Federal Grants	5,099
Nonmajor governmental funds	30
Total	$ 9,997

NOTE 16 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable at June 30, 2020 consisted of the following as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General fund	$ 63,506	$ -
Miscellaneous federal grants fund	-	53,019
Nonmajor governmental funds	-	10,487
Total	$ 63,506	$ 63,506

The primary purpose of the interfund balances is to cover cash deficits at June 30. These interfund balances will be repaid once the anticipated cash is received. Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

THIS PAGE IS INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Services provided to other entities	3,895,700	4,651,933	4,651,933	$ -
Tuition.	1,475,733	1,424,000	1,424,000	-
Earnings on investments	16,056	9,008	9,008	-
Contributions and donations	8,033	5,300	5,300	-
Other local revenues	1,006	1,035	1,035	-
Intergovernmental - state	357,420	392,198	392,198	-
Total revenues	5,753,948	6,483,474	6,483,474	-
Expenditures:				
Current:				
Instruction:				
Regular	20,296	274,505	274,366	139
Special.	480,478	579,273	578,979	294
Other.	10,624	10,505	10,500	5
Support services:				
Pupil.	1,027,837	1,252,548	1,251,913	635
Instructional staff	1,154,095	1,288,151	1,287,498	653
Board of education	18,678	14,293	14,286	7
Administration.	1,715,821	2,168,620	2,167,518	1,102
Fiscal	532,796	623,265	622,949	316
Operations and maintenance.	47,220	51,754	51,728	26
Operation of non-instructional services . . .	354,905	412,655	412,446	209
Total expenditures	5,362,750	6,675,569	6,672,183	3,386
Excess of revenues over (under) expenditures.	391,198	(192,095)	(188,709)	3,386
Other financing sources (uses):				
Refund of prior year's expenditures	-	9,151	9,151	-
Transfers in	-	244,064	244,064	-
Transfers (out).	-	(244,064)	(244,064)	-
Advances in.	-	1,026,290	1,026,290	-
Advances (out)	-	(1,007,898)	(1,007,898)	-
Sale of capital assets	-	1,442	1,442	-
Total other financing sources (uses)	-	28,985	28,985	-
Net change in fund balance	391,198	(163,110)	(159,724)	3,386
Fund balance at beginning of year	1,296,657	1,296,657	1,296,657	-
Prior year encumbrances appropriated . .	3,386	3,386	3,386	-
Fund balance at end of year	$ 1,691,241	$ 1,136,933	$ 1,140,319	$ 3,386

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MISCELLANEOUS FEDERAL GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Intergovernmental - state	$ -	$ 24,992	$ 24,992	$ -
Intergovernmental - federal	403,562	373,330	373,330	-
Total revenue	403,562	398,322	398,322	-
Expenditures:				
Current:				
Instruction:				
Regular	98,570	53,058	53,058	-
Support Services:				-
Pupil	28,149	57,097	57,097	-
Instructional staff	87,579	128,092	128,092	-
Administration	138,257	132,286	132,286	-
Business	38,485	66,577	66,577	-
Pupil transportation	1,583	1,982	1,982	-
Central	10,418	10,000	10,000	-
Operation of non-instructional services	6,601	12,457	12,457	-
Total expenditures	409,642	461,549	461,549	-
Excess of revenues over (under) expenditures	(6,080)	(63,227)	(63,227)	-
Other financing sources:				
Advances in	-	53,019	53,019	-
Advances (out)	-	(1,374)	(1,374)	-
Total other financing sources	-	51,645	51,645	-
Net change in fund balance	(6,080)	(11,582)	(11,582)	-
Fund balance at beginning of year	20,155	20,155	20,155	-
Fund balance (deficit) at end of year	$ 14,075	$ 8,573	$ 8,573	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - BUDGETARY PROCESS

The ESC is not required under State statute to file budgetary information with the State Department of Education. However, the ESC Governing Board does follow the budgetary process for control purposes.

The ESC Governing Board adopts an annual appropriation resolution, which is the Governing Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the ESC has elected to present the general fund and miscellaneous federal grants fund budgetary statement comparison schedule at the fund and function level. 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 amounts reported as the original budgeted amounts on the budgetary schedule reflects the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amount reported as the final budgeted amounts on the budgetary schedule represents the final appropriation amounts passed by the Governing Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) - for the general fund, the alternative school fund, and the miscellaneous federal grants fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

3. To reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

4. Advances-in and advances-out are operating transactions (budget-basis) as opposed to balance sheet transactions (GAAP basis); and

5. Some funds are included in the general fund (GAAP basis) but have separate budgets (budget-basis).

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and miscellaneous federal grants fund is as follows:

Net Change in Fund Balance

	General	Miscellaneous Federal Grants Fund
Budget basis	$ (159,724)	$ (11,582)
Net adjustment for revenue accruals	34,013	182,062
Net adjustment for expenditure accruals	(14,735)	(2,316)
Net adjustment for other sources/uses	(28,985)	(51,645)
Adjustment for encumbrances	24,111	5,099
GAAP basis	$ (145,320)	$ 121,618

The internal service rotary fund that is budgeted in a separate special revenue fund is considered part of the general fund on a GAAP basis.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020	2019	2018	2017
ESC's proportion of the net pension liability	0.05510810%	0.04943610%	0.05886740%	0.05890660%
ESC's proportionate share of the net pension liability	$ 3,297,214	$ 2,831,297	$ 3,517,197	$ 4,311,420
ESC's covered payroll	$ 1,892,422	$ 1,639,704	$ 1,936,700	$ 1,843,393
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	174.23%	172.67%	181.61%	233.89%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014	
	0.04100570%		0.02939100%		0.02939100%
$	2,339,825	$	1,487,462	$	1,747,788
$	1,234,484	$	854,033	$	788,158
	189.54%		174.17%		221.76%
	69.16%		71.70%		65.52%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	2020	**2019**	**2018**	**2017**
ESC's proportion of the net pension liabilit	0.01442763%	0.01497649%	0.01387005%	0.01482333%
ESC's proportionate share of the net pension liability	$ 3,190,584	$ 3,292,994	$ 3,294,860	$ 4,961,815
ESC's covered payroll	$ 1,704,921	$ 1,710,350	$ 1,535,893	$ 1,554,429
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	187.14%	192.53%	214.52%	319.20%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014
0.01628096%	0.01631771%	0.01631771%
$ 4,499,581	$ 3,969,032	$ 4,727,885
$ 1,698,643	$ 1,667,223	$ 2,092,431
264.89%	238.06%	225.95%
72.10%	74.70%	69.30%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	**2019**	**2018**	**2017**
Contractually required contribution	$ 327,330	$ 255,477	$ 221,360	$ 271,138
Contributions in relation to the contractually required contribution	(327,330)	(255,477)	(221,360)	(271,138)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 2,338,071	$ 1,892,422	$ 1,639,704	$ 1,936,700
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ 258,075	$ 162,705	$ 118,369	$ 109,081	$ 231,302	$ 204,068
(258,075)	(162,705)	(118,369)	(109,081)	(231,302)	(204,068)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,843,393	$ 1,234,484	$ 854,033	$ 788,158	$ 1,719,717	$ 1,623,453
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
Contractually required contribution	$ 340,212	$ 238,689	$ 239,449	$ 215,025
Contributions in relation to the contractually required contribution	(340,212)	(238,689)	(239,449)	(215,025)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 2,430,086	$ 1,704,921	$ 1,710,350	$ 1,535,893
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014		2013		2012		2011	
$	217,620	$	237,810	$	216,739	$	272,016	$	331,100	$	402,590
	(217,620)		(237,810)		(216,739)		(272,016)		(331,100)		(402,590)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,554,429	$	1,698,643	$	1,667,223	$	2,092,431	$	2,546,923	$	3,096,846
	14.00%		14.00%		13.00%		13.00%		13.00%		13.00%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2020	**2019**	**2018**	**2017**
ESC's proportion of the net OPEB liability	0.05376260%	0.04969910%	0.05789790%	0.05897423%
ESC's proportionate share of the net OPEB liability	$ 1,352,016	$ 1,378,787	$ 1,553,828	$ 1,680,984
ESC's covered payroll	$ 1,892,422	$ 1,639,704	$ 1,936,700	$ 1,843,393
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.44%	84.09%	80.23%	91.19%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	2020	2019	2018	2017
ESC's proportion of the net OPEB liability/asset	0.01442763%	0.01497649%	0.01387005%	0.01482333%
ESC's proportionate share of the net OPEB liability/(asset)	$ (238,956)	$ (240,657)	$ 541,158	$ 792,756
ESC's covered payroll	$ 1,704,921	$ 1,710,350	$ 1,535,893	$ 1,554,429
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.02%	14.07%	35.23%	51.00%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
Contractually required contribution	$ 26,217	$ 29,565	$ 33,033	$ 23,050
Contributions in relation to the contractually required contribution	(26,217)	(29,565)	(33,033)	(23,050)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 2,338,071	$ 1,892,422	$ 1,639,704	$ 1,936,700
Contributions as a percentage of covered payroll	1.12%	1.56%	2.01%	1.19%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
$ 26,747	$ 17,780	$ 9,795	$ 27,644	$ 39,463	$ 31,924
(26,747)	(17,780)	(9,795)	(27,644)	(39,463)	(31,924)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,843,393	$ 1,234,484	$ 854,033	$ 788,158	$ 1,719,717	$ 1,623,453
1.45%	1.44%	1.15%	3.51%	2.29%	1.97%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ESC 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)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 2,430,086	$ 1,704,921	$ 1,710,350	$ 1,535,893
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014		2013		2012		2011	
$	-	$	-	$	16,058	$	20,924	$	25,469	$	30,968
	-		-		(16,058)		(20,924)		(25,469)		(30,968)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,554,429	$	1,698,643	$	1,667,223	$	2,092,431	$	2,546,923	$	3,096,846
	0.00%		0.00%		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 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% effectice 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.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

To the Members of the Governing Board
Jefferson County Educational Service Center
Steubenville, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Educational Service Center, Jefferson County, Ohio, (the Center) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 2, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Center. Also, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 2, 2020

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The prior audit period, as of June 30, 2019, included no citations. Management letter recommendations have been corrected or repeated.

JEFFERSON COUNTY
EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2019

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Members of the Board
Jefferson County Educational Service Center
2023 Sunset Blvd.
Steubenville, OH 43952

We have reviewed the *Independent Auditor's Report* of the Jefferson County Educational Service Center, Jefferson County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson County Educational Service Center is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 4, 2021

This page intentionally left blank.

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Governing Board
Jefferson County Educational Service Center
Steubenville, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Educational Service Center, Jefferson County, Ohio, (the Center) as of and for the year ended June 30, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The ESC as a Whole

Recall that the statement of net position provides the perspective of the ESC as a whole.

The table below provides a summary of the ESC's net position for fiscal years 2019 and 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current and other assets	$ 3,000,384	$ 2,881,736
Net OPEB asset (Note 11)	240,657	-
Capital assets, net	572,380	664,063
Total assets	3,813,421	3,545,799
Deferred outflows of resources		
Pension (Note 10)	1,753,503	2,283,966
OPEB (Note 11)	119,610	64,272
Total deferred outflows of resources	1,873,113	2,348,238
Liabilities		
Current liabilities	469,037	428,645
Long-term liabilities:		
Due within one year	174,944	177,549
Due in more than one year:		
Net pension liability (Note 10)	6,124,291	6,812,057
Net OPEB liability (Note 11)	1,378,787	2,094,986
Other amounts	135,911	155,617
Total liabilities	8,282,970	9,668,854
Deferred inflows of resources		
Pension (Note 10)	944,741	633,454
OPEB (Note 11)	770,888	295,206
Total deferred inflows of resources	1,715,629	928,660
Net Position		
Net Investment in capital assets	567,420	657,693
Restricted	119,205	43,111
Unrestricted (deficit)	(4,998,690)	(5,404,281)
Total net position (deficit)	$ (4,312,065)	$ (4,703,477)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Educational Service Center as of June 30, 2019, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual and the related notes present additional analysis and are not a required part of the basic financial statements.

We did not subject the Schedules of Revenue, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 2, 2020

This page intentionally left blank.

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The management's discussion and analysis of the Jefferson County Educational Service Center's ("the ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the ESC'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 ESC's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased $391,412 which represents a 8.32% increase from 2018.

- General revenues accounted for $372,505 in revenue or 5.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $6,188,503 or 94.32% of total revenues of $6,561,008.

- The ESC had $6,169,596 in expenses related to governmental activities; $372,505 of these expenses were offset by general revenues supporting governmental activities (unrestricted grants and entitlements). Program specific charges for services, grants or contributions of $6,188,503 were adequate to provide for these programs.

- The ESC's major governmental funds are the general fund, the alternative school fund, and the miscellaneous federal grants fund. The general fund had $5,616,932 in revenues and $5,514,132 in expenditures. During fiscal year 2019, the general fund's fund balance increased $102,800 from $1,009,442 to $1,112,242.

- The alternative school fund had $389,657 in revenues and $377,191 in expenditures. During fiscal year 2019, the alternative school fund's fund balance increased $12,466 from $7,700 to $20,166.

- The miscellaneous federal grants fund had $445,643 in revenues and $439,891 in expenditures. During fiscal year 2019, the miscellaneous federal grants fund balance increased $5,752 from $(336) to $5,416.

Using the Basic Financial Statements (BFS)

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 ESC 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 ESC, presenting both an aggregate view of the ESC'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 ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund, the alternative school fund, and the miscellaneous federal grants fund are the most significant funds, and the only governmental funds reported as a major funds.

Reporting the ESC as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's net position and changes in that position. This change in net position is important because it tells the reader that, for the ESC as a whole, the financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts, state budget cuts, required educational programs and other factors.

In the statement of net position and statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, and other operations.

The ESC's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental funds begins on page 14. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's major governmental funds are the general fund, the alternative school fund, and miscellaneous federal grants fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds

The ESC maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the ESC's various functions. The ESC's internal service fund accounts for medical/surgical, vision and dental self-insurance. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the ESC's Fiduciary Responsibilities

The activity presented as agency funds account for monies due to other governments, individuals or private organizations. The ESC is also the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. All of the ESC's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 26 and 27. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-64 of this report.

Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund, the alternative school fund, and the miscellaneous federal grants fund as supplementary information on pages 66-70 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the ESC's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 72-87 of this report.

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 ESC'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.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the ESC'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 ESC 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 ESC'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, 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 ESC's liabilities and deferred inflows exceeded assets and deferred outflows by $4,312,065, of this total; $119,205 is restricted in use.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 10 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 11 for more detail. STRS did not report a net pension asset in the prior year.

Current and other assets decreased primarily in the areas of cash and cash equivalents due to operations. Long-term liabilities decreased as a result of a decrease in the net pension liability discussed above. This decrease is outside of the control of the ESC. The ESC contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to ESC employees, not the ESC.

At year-end, capital assets represented 15.01% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2019 was $567,420. These capital assets are used to provide the ESC's services and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

$119,205 of the ESC's net position is subject to external restriction on how it may be used. The remaining balance of unrestricted net position is a deficit of $4,998,690. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68 and net OPEB liability required by GASB 75.

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

Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program revenues:		
Charges for services and sales	$ 5,492,313	$ 4,750,319
Operating grants and contributions	696,190	398,554
General revenues:		
Grants and entitlements	338,923	327,782
Investment earnings	33,359	18,029
Other	223	474
Total revenues	6,561,008	5,495,158
Expenses		
Program expenses:		
Instruction:		
Regular	$ 423,078	$ 266,567
Special	435,453	360,953
Other	10,500	10,500
Support services:		
Pupil	1,078,598	789,853
Instructional staff	1,383,730	964,335
Board of education	16,595	13,111
Administration	1,826,804	1,301,667
Fiscal	511,270	151,145
Business	54,361	71,073
Operations and maintenance	45,065	21,636
Pupil transportation	4,255	3,718
Central	10,000	25,503
Operation of non-instructional services	369,601	7,771
Interest and fiscal charges	286	354
Total expenses	6,169,596	3,988,186
Change in net position	391,412	1,506,972
Net position (deficit) at beginning of year	(4,703,477)	(6,210,449)
Net position (deficit) at end of year	$ (4,312,065)	$ (4,703,477)

Governmental Activities

Net position of the ESC's governmental activities increased $391,412. Total governmental expenses of $6,169,596 were offset by program revenues of $6,188,503 and general revenues of $372,505. Program revenues supported all governmental expenses.

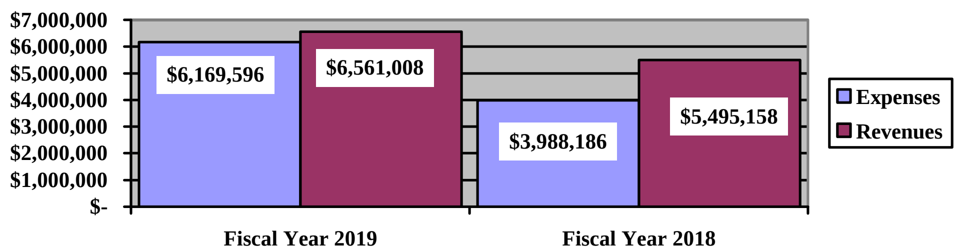
The primary sources of revenue for governmental activities are derived from contracted fees for services provided to other entities. This revenue source represents 83.71% of total governmental revenue.

Overall, expenses of the governmental activities increased $2,181,410 or 54.70%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the ESC reported $648,150 and ($1,124,170) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the ESC reported ($506,947) and ($91,737) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was $1,074,704. 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 ESC's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2019 and 2018.

Governmental Activities - Revenues and Expenses



As discussed above, fluctuations in the pension expense reported under GASB 68 and GASB 75 makes it difficult to compare financial information between years. Pension expense is a component of Total Cost of Services and Net Cost of Services reported on the statement of activities. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements, and other general revenues not restricted to a specific program.

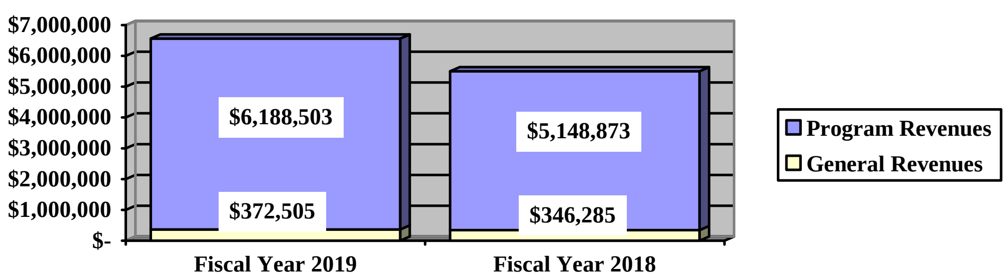
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	$ 423,078	$ (352,699)	$ 266,567	$ (508,180)
Special	435,453	(980,861)	360,953	(1,039,590)
Other	10,500	3,276	10,500	4,110
Support services:				
Pupil	1,078,598	227,406	789,853	24,223
Instructional staff	1,383,730	317,488	964,335	152,657
Board of education	16,595	4,681	13,111	2,845
Administration	1,826,804	492,718	1,301,667	219,382
Fiscal	511,270	137,863	151,145	(11,830)
Business	54,361	(7,974)	71,073	(2,394)
Operations and maintenance	45,065	11,711	21,636	(1,941)
Pupil transportation	4,255	(196)	3,718	(499)
Central	10,000	(3,226)	25,503	(4,653)
Operations of non-instructional services	369,601	130,620	7,771	4,829
Interest and fiscal charges	286	286	354	354
Total	$ 6,169,596	$ (18,907)	$ 3,988,186	$ (1,160,687)

For all governmental activities, program revenue support is 100.31%. The primary support of the ESC is contracted fees for services provided to other districts.

The graph below presents the ESC's governmental activities revenue for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds (as presented on the balance sheet) reported a combined fund balance of $1,151,743, which is greater than last year's total of $1,028,925. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance June 30, 2019	Fund Balance (deficit) June 30, 2018	Change
General	$ 1,112,242	$ 1,009,442	$ 102,800
Alternative school	20,166	7,700	12,466
Miscellaneous federal grants	5,416	(336)	5,752
Other governmental	13,919	12,119	1,800
Total	$ 1,151,743	$ 1,028,925	$ 122,818

General Fund

The ESC's general fund balance increased $102,800. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2019 Amount	2018 Amount	Percentage Change
Revenues			
Services provided to other entities	$ 3,762,909	$ 2,943,755	27.83 %
Tuition	1,496,511	1,515,260	(1.24) %
Earnings on investments	13,666	7,570	80.53 %
Intergovernmental	338,923	329,019	3.01 %
Other revenues	4,923	6,099	(19.28) %
Total	$ 5,616,932	$ 4,801,703	16.98 %
Expenditures			
Instruction	$ 501,347	$ 500,458	0.18 %
Support services	4,685,936	4,322,502	8.41 %
Operation of non-instructional services	325,153	4,834	6,626.38 %
Capital outlay	-	7,493	100.00 %
Debt service	1,696	2,014	(15.79) %
Total	$ 5,514,132	$ 4,837,301	13.99 %

During fiscal year 2019, the ESC reported more revenue for services performed for other entities than it did in the prior year. The revenue for services performed to other entities for the fiscal years ended June 30, 2019, 2018 and 2017 was $3,762,909, $2,943,755 and $3,360,815, respectively. Intergovernmental revenue increased primarily due to an increase in foundation provided by the State of Ohio. Other revenues decreased primarily due to receiving less donations. Earnings on investments increased primarily due to an increase in interest rates earned on investments. Support services increased primarily in instructional staff fiscal expenditures. Operation of non-instructional increased due to personnel costs associated with services performed for the Jefferson Family and Children First Council (FCFC). The ESC bills the FCFC for these services. Capital outlay decreased due to no new capital leases. All other expenditures remained comparable to the prior year.

Alternative school fund

The alternative school fund had $389,657 in revenues and $377,191 in expenditures. During fiscal year 2019, the alternative schools fund balance increased $12,466 from $7,700 to $20,166.

Miscellaneous federal grants fund

The miscellaneous federal grants fund had $445,643 in revenues and $439,891 in expenditures. During fiscal year 2019, the miscellaneous federal grants fund balance increased $5,752 from $(336) to $5,416. This fund accounts for various grants including the 21st century grant, the striving readers grant, and the multi-system youth block grant.

Capital Assets and Debt Administration

Capital Assets

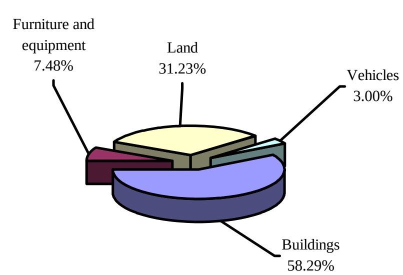
At the end of fiscal year 2019, the ESC had $572,380 invested in land, buildings, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2019 balances compared to June 30, 2018:

Capital Assets at June 30
(Net of Depreciation)

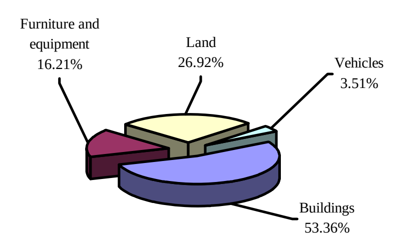
	Governmental Activities	
	2019	2018
Land	$ 178,782	$ 178,782
Buildings	333,640	354,342
Furniture and equipment	42,794	107,635
Vehicles	17,164	23,304
Total	$ 572,380	$ 664,063

In total capital assets decreased $91,683 for fiscal year 2019. A total of $41,445 in depreciation expense and net disposals of $50,238 in fiscal year 2019. The graphs below present the ESC's capital assets at June 30, 2019 and June 30, 2018.

Capital Assets - Governmental Activities
2019



Capital Assets - Governmental Activities
2018



See Note 6 to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2019 the ESC had $4,960 in capital lease obligations outstanding. The following table summarizes the capital lease obligations outstanding.

Outstanding Capital Lease Debt, at Year End

	Governmental Activities 2019	Governmental Activities 2018
Capital lease obligation	$ 4,960	$ 6,370

See Note 8 to the basic financial statements for detail on the ESC's debt administration.

Current Financial Related Activities

The ESC is financially solvent. As the preceding information shows, the ESC relies heavily on contracts with local, city, and JVS school districts in Jefferson, Harrison and Columbiana Counties, as well as State foundation revenue, and grants. The need for additional services from local and city school districts, which is paid for by excess costs, State funding and grants will provide the ESC with necessary funds to meet operating expenses in fiscal year 2019. However, the future financial stability of the ESC is not without concerns.

Declining enrollment in Jefferson County remains a concern of the ESC. State funding for the ESC and the districts is based on average daily membership of participating school districts. Continued decline in enrollment will have a direct impact on state revenues received by school districts and the amount of services they will need from the ESC. As district revenues decline, they rely on the ESC for services and personnel they cannot employ at the district level. With little to no increases from the State, the ESC is forced to try to do more with limited resources.

Each year, school districts need additional services. Therefore, the ESC is constantly collecting data, monitoring program activity, and stepping forward to provide new services while still maintaining a financially solvent operation. The Virtual Learning Academy has added a new dimension for generating revenues, not only throughout the state of Ohio, but also throughout all fifty states and twenty-three countries overseas. In addition, the health benefits program continues to grow. The program currently insures over 18,000 employees and has contracts with one hundred seventy-six entities in seventy-nine counties across the State.

ESC systems of internal control and procedures are reviewed throughout the year to insure a cost-efficient operation.

Contacting the ESC's Financial Management

This financial report is designed to provide the citizens supported by the districts, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Don Donahue, Treasurer, Jefferson County ESC, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 1,400,755
Cash with fiscal agent	1,351,533
Receivables:	
Intergovernmental	225,016
Prepayments	22,324
Materials and supplies inventory.	756
Net OPEB asset (Note 11)	240,657
Capital assets:	
Nondepreciable capital assets	178,782
Depreciable capital assets, net.	393,598
Capital assets, net	572,380
Total assets.	3,813,421
Deferred outflows of resources:	
Pension (Note 10).	1,753,503
OPEB (Note 11).	119,610
Total deferred outflows of resources	1,873,113
Liabilities:	
Accounts payable.	29,855
Accrued wages and benefits payable	265,442
Intergovernmental payable	12,942
Pension and postemployment benefits payable .	68,096
Claims payable.	92,702
Long-term liabilities:	
Due within one year.	174,944
Due in more than one year:	
Net pension liability (Note 10)	6,124,291
Net OPEB liability (Note 11)	1,378,787
Other amounts	135,911
Total liabilities	8,282,970
Deferred inflows of resources:	
Pension (Note 10).	944,741
OPEB (Note 11).	770,888
Total deferred inflows of resources	1,715,629
Net position:	
Net investment in capital assets	567,420
Restricted for:	
State funded programs.	26,942
Federally funded programs	85,120
Other purposes	7,143
Unrestricted (deficit)	(4,998,690)
Total net position (deficit).	$ (4,312,065)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON 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	$ 423,078	$ 551,323	$ 224,454	$ 352,699
Special	435,453	1,411,614	4,700	980,861
Other	10,500	7,224	-	(3,276)
Support services:				
Pupil	1,078,598	772,109	79,083	(227,406)
Instructional staff	1,383,730	934,909	131,333	(317,488)
Board of education	16,595	11,914	-	(4,681)
Administration	1,826,804	1,173,535	160,551	(492,718)
Fiscal	511,270	373,407	-	(137,863)
Business	54,361	806	61,529	7,974
Operations and maintenance	45,065	31,131	2,223	(11,711)
Pupil transportation	4,255	621	3,830	196
Central	10,000	-	13,226	3,226
Operation of non-instructional services	369,601	223,720	15,261	(130,620)
Interest and fiscal charges	286	-	-	(286)
Total governmental activities	$ 6,169,596	$ 5,492,313	$ 696,190	18,907
		General revenues:		
		Grants and entitlements not restricted to specific programs		338,923
		Investment earnings		33,359
		Miscellaneous		223
		Total general revenues		372,505
		Change in net position		391,412
		Net position (deficit) at beginning of year		(4,703,477)
		Net position (deficit) at end of year		$ (4,312,065)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Alternative School	Miscellaneous Federal Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	$ 1,300,336	$ 66,345	$ 20,155	$ 13,919	$ 1,400,755
Receivables:					
Interfund loans	39,160	-	-	-	39,160
Intergovernmental	110,641	29,767	84,608	-	225,016
Prepayments	21,347	-	977	-	22,324
Materials and supplies inventory	756	-	-	-	756
Total assets	$ 1,472,240	$ 96,112	$ 105,740	$ 13,919	$ 1,688,011
Liabilities:					
Accounts payable	$ 29,387	$ 35	$ 433	$ -	$ 29,855
Accrued wages and benefits payable	227,651	28,904	8,887	-	265,442
Intergovernmental payable	7,240	3,999	1,703	-	12,942
Pension and postemployment benefits payable	59,555	5,222	3,319	-	68,096
Interfund loans payable	-	37,786	1,374	-	39,160
Total liabilities	323,833	75,946	15,716	-	415,495
Deferred inflows of resources:					
Intergovernmental revenue not available	-	-	84,608	-	84,608
Contract service revenue not available	36,165	-	-	-	36,165
Total deferred inflows of resources	36,165	-	84,608	-	120,773
Fund balances:					
Nonspendable:					
Materials and supplies inventory	756	-	-	-	756
Prepaids	21,347	-	977	-	22,324
Restricted:					
Special education	-	-	-	7,143	7,143
Other purposes	-	20,166	4,439	6,776	31,381
Assigned:					
Student instruction	108	-	-	-	108
Student and staff support	1,766	-	-	-	1,766
Other purposes	96	-	-	-	96
Unassigned	1,088,169	-	-	-	1,088,169
Total fund balances	1,112,242	20,166	5,416	13,919	1,151,743
Total liabilities, deferred inflows, and fund balances	$ 1,472,240	$ 96,112	$ 105,740	$ 13,919	$ 1,688,011

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

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

Total governmental fund balances		$ 1,151,743
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.		572,380
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Intergovernmental receivable	120,773	
Total		120,773
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		1,258,831
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources - pension	1,753,503	
Deferred inflows of resources - pension	(944,741)	
Net pension liability	(6,124,291)	
Total		(5,315,529)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources - OPEB	119,610	
Deferred inflows of resources - OPEB	(770,888)	
Net OPEB asset	240,657	
Net OPEB liability	(1,378,787)	
Total		(1,789,408)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(4,960)	
Compensated absences	(305,895)	
Total		(310,855)
Net position (deficit) of governmental activities		$ (4,312,065)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

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

	General	**Alternative School**	**Miscellaneous Federal Grants**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
Revenues:					
From local sources:					
Services provided to other entities	$ 3,762,909	$ -	$ -	$ -	$ 3,762,909
Tuition.	1,496,511	202,988	-	-	1,699,499
Earnings on investments	13,666	-	-	-	13,666
Contributions and donations	4,700	300	-	-	5,000
Other local revenues	223	-	-	-	223
Intergovernmental - intermediate	-	-	30,891	-	30,891
Intergovernmental - state	338,923	186,369	-	1,800	527,092
Intergovernmental - federal	-	-	414,752	-	414,752
Total revenues	5,616,932	389,657	445,643	1,800	6,454,032
Expenditures:					
Current:					
Instruction:					
Regular.	19,426	239,151	92,855	-	351,432
Special	471,421	-	-	-	471,421
Other	10,500	-	-	-	10,500
Support services:					
Pupil	1,054,701	86,266	31,848	-	1,172,815
Instructional staff	1,358,787	-	114,938	-	1,473,725
Board of education	17,315	-	-	-	17,315
Administration	1,669,792	45,786	120,678	-	1,836,256
Fiscal	542,706	-	-	-	542,706
Business.	-	1,497	52,864	-	54,361
Operations and maintenance	41,732	4,491	-	-	46,223
Pupil transportation	903	-	3,352	-	4,255
Central	-	-	10,000	-	10,000
Operation of non-instructional services	325,153	-	13,356	-	338,509
Debt service:					
Principal retirement.	1,410	-	-	-	1,410
Interest and fiscal charges	286	-	-	-	286
Total expenditures	5,514,132	377,191	439,891	-	6,331,214
Net change in fund balances	102,800	12,466	5,752	1,800	122,818
Fund balances (deficit) at beginning of year. .	1,009,442	7,700	(336)	12,119	1,028,925
Fund balances at end of year.	$ 1,112,242	$ 20,166	$ 5,416	$ 13,919	$ 1,151,743

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON 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		$ 122,818
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Current year depreciation	$ (41,445)	
Total		(41,445)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(50,238)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Accounts receivable	(6,260)	
Intergovernmental revenue	93,543	
Total		87,283
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		1,410
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		494,166
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(648,150)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		29,565
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.		506,947
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		20,901
An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(131,845)
Change in net position of governmental activities		$ 391,412

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent.	$ 1,351,533
Liabilities:	
Current liabilities:	
Claims payable.	92,702
Net position:	
Unrestricted.	$ 1,258,831

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	$ 789,479
Operating expenses:	
Claims	941,017
Operating loss	(151,538)
Nonoperating revenues:	
Interest revenue	19,693
Change in net position	(131,845)
Net position at beginning of year.	1,390,676
Net position at end of year	$ 1,258,831

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	$ 809,069
Cash payments for claims	(900,137)
Net cash (used in) operating activities	(91,068)
Cash flows from investing activities:	
Interest received	22,695
Net decrease in cash with fiscal agent	(68,373)
Cash with fiscal agent at beginning of year	1,419,906
Cash with fiscal agent at end of year	$ 1,351,533
Reconciliation of operating loss to net cash (used in) operating activities:	
Operating loss	$ (151,538)
Changes in assets and liabilities:	
Decrease in accounts receivable	19,590
Increase in claims payable	40,880
Net cash (used in) operating activities	$ (91,068)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private-Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and cash equivalents	$ 12,608	$ 48,632
Cash and investments in segregated accounts	-	149,440,493
Receivables:		
Accrued interest	6	622,181
Total assets	12,614	$ 150,111,306
Liabilities:		
Accounts payable	-	$ 3,104
Intergovernmental payable	-	150,108,202
Total liabilities	-	$ 150,111,306
Net position:		
Held in trust for scholarships	$ 12,614	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	$ 19
Change in net position	19
Net position at beginning of year.	12,595
Net position at end of year	$ 12,614

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

NOTE 1 - DESCRIPTION OF THE ESC

The Jefferson County Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The ESC is defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Governing Board (five members). The following services are provided to the local school districts and city school districts under contract in Jefferson, Harrison and Columbiana counties:

Vocational Educational Services
General Instructional Services
Speech, Hearing and Language Services
Special Projects Coordination
Talented and Gifted Program
Special Educational Services
Psychological Services
Administrative Services
Developmental Handicapped and Disability Classroom Supervision

Average daily membership as of June 30, 2019 was 11,061. The Governing Board employed 28 certified employees and 46 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the ESC 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 ESC's significant accounting policies are described below.

A. Reporting Entity

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

<u>Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)</u>
Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The continued existence of OMERESA is not dependent on the ESC's continued participation and no equity interest exists. OMERESA has no outstanding debt. During fiscal year 2019, the ESC paid $22,390 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

PUBLIC ENTITY RISK POOLS

<u>Jefferson Health Plan (the "Health Plan")</u>
The ESC participates in the Jefferson Health Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine-member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from $35,000 to $150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and $500,000, and all claims between the deductible and the $500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants.

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

All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding $500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third-party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

During fiscal year 2019, the ESC was fiscal agent for the Health Plan (See Note 4.B.).

Workers' Compensation Group Rating Program

The ESC participates in the Ohio Association of School Business Officials (OASBO)/ CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The ESC pays a fee to the GRP to cover the costs of administering the program. Refer to Note 9.B. for further information on the GRP.

B. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Alternative school fund - The alternative school fund is used to account for and report all financial resources and expenditures restricted for use in the operation of the Jefferson County Alternative School classroom units which provide structured educational opportunity for students unable to adjust to alternative programs available in their home schools.

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

Miscellaneous federal grants fund - The miscellaneous federal grants fund is used to account for and report all financial resources and expenditures restricted for various grants including the 21st century grant, the striving readers grant, and the multi-system youth block grant.

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

PROPRIETARY FUND

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the ESC's proprietary fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the ESC or to other governments, on a cost-reimbursement basis. The internal service fund of the ESC accounts for a self-insurance program which provides medical benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC's trust fund is a private-purpose trust which accounts for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency funds account for various resources held as fiscal agent for the Jefferson Health Plan and the Jefferson County Family and Children First Council.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the ESC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 ESC. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the ESC.

Fund Financial Statements - Fund financial statements report detailed information about the ESC. 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. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the ESC finances and meets the cash flow needs of its proprietary activities.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the ESC's internal service fund is charges for services. Operating expenses for internal service funds include the claims expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC 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: tuition, grants, accrued interest, and contract services.

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the ESC, see Note 10 and Note 11 for deferred outflows of resources related the ESC's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the ESC, 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 ESC, unavailable revenue includes contract services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

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

E. Budgets

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

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Governing Board approve appropriations and estimated resources. The ESC's Governing Board adopts an annual appropriation resolution, which is the Governing Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. Budgetary information for the general fund, alternative school fund, and miscellaneous federal grants fund has been presented as supplementary information to the basic financial statements.

F. Cash and Investments

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

During fiscal year 2019, the ESC's investments were limited to non-negotiable certificates of deposits and State Treasury Asset Reserve (STAR) Plus. Investments in nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are recorded at cost.

In fiscal year 2019, the ESC invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board investment earnings are assigned to the general fund, the Self-Insurance internal service fund, (which is maintained by a fiscal agent in an interest-bearing account separate from the ESC's internal investment pool), and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2019 amounted to $13,666, which includes $869 assigned from other ESC funds.

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

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

An analysis of the ESC's investment account at year end is provided in Note 4.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The ESC maintains a capitalization threshold of $5,000. The ESC 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.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings	40 years
Furniture and equipment	5 - 30 years
Vehicles	10 years

H. Interfund Balances

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

I. Compensated Absences

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

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if (a) the employees' rights to payment are attributable to services already rendered; and (b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and for all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

K. Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

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

L. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the ESC 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 ESC Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The ESC 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)

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the ESC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepayments 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 in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of the net current position.

O. Estimates

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the ESC, these revenues are charges for services for a self-insurance program. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. During fiscal year 2019, the ESC had no interfund activity.

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

R. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, 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.

S. 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 Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the ESC 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 ESC.

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 ESC.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

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

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

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

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

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

Protection of the ESC's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System, 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash with Fiscal Agent

The ESC is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2019, was $1,351,533.

B. Cash and Investments in Segregated Accounts

The ESC is fiscal agent for the Jefferson Health Plan (See Note 2.A.). At June 30, 2019, $149,440,493 was held in agency funds on behalf of the Health Plan. The deposits and investments of the Health Plan are held separate from the ESC internal cash management pool. The data regarding insurance and collateralization of the Health Plan deposits and investments can be obtained from the entity's separate financial statements for the fiscal year ended June 30, 2019.

C. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all ESC deposits was $1,461,995 and the bank balance of all ESC deposits was $1,542,411. Of the bank balance, $847,397 was covered by the FDIC, $452,715 was covered by the Ohio Pooled Collateral System, and $242,299 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the ESC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The ESC 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 ESC 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 ESC's financial institution was 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 ESC to a successful claim by the FDIC.

D. Investments

The ESC had no investments at June 30, 2019.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

Cash and investments per note	
Carrying amount of deposits	$ 1,461,995
Cash with fiscal agent	1,351,533
Cash and investments in segregated accounts	149,440,493
Total	$ 152,254,021
Cash and investments per statement of net position	
Governmental activities	$ 2,752,288
Private-purpose trust funds	12,608
Agency funds	149,489,125
Total	$ 152,254,021

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019 consisted of intergovernmental (billings to school districts for user charged services, tuition and accrued interest) and accounts. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Intergovernmental	$ 225,016

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

NOTE 6 - CAPITAL ASSETS

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

	Balance 06/30/18	Additions	Deductions	Balance 06/30/19
Govermental activities:				
Capital assets, not being depreciated:				
Land	$ 178,782	$ -	$ -	$ 178,782
Total capital assets, not being depreciated	178,782	-	-	178,782
Capital assets, being depreciated:				
Buildings	465,545	-	(12,360)	453,185
Furniture and equipment	525,321	-	(302,162)	223,159
Vehicles	47,939	-	-	47,939
Total capital assets, being depreciated	1,038,805	-	(314,522)	724,283
Less: accumulated depreciation:				
Buildings	(111,203)	(10,133)	1,791	(119,545)
Furniture and equipment	(417,686)	(25,172)	262,493	(180,365)
Vehicles	(24,635)	(6,140)	-	(30,775)
Total accumulated depreciation	(553,524)	(41,445)	264,284	(330,685)
Governmental activities capital assets, net	$ 664,063	$ (41,445)	$ (50,238)	$ 572,380

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$ 463
Support services:	
Administration	40,982
Total depreciation expense	$ 41,445

NOTE 7 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2018, ESC entered into a capital lease agreement for copier equipment. This lease replaces copiers previously under a capital lease obligation. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

NOTE 7 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

Capital assets consisting of equipment have been capitalized in the amount of $25,613. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2019 was $21,117, leaving a current book value of $4,496. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in the 2019 fiscal year totaled $1,410 and $286, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2019:

Fiscal Year Ending June 30,	Amount
2020	$ 1,698
2021	1,696
2022	1,697
2023	283
Total minimum lease payments	5,374
Less: Amount representing interest	(414)
Total	$ 4,960

NOTE 8 - LONG-TERM OBLIGATIONS

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

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19	Amounts Due in One Year
Capital lease obligations	$ 6,370	$ -	$ (1,410)	$ 4,960	$ 1,483
Compensated absences	326,796	155,238	(176,139)	305,895	173,461
Net pension liability	6,812,057	-	(687,766)	6,124,291	-
Net OPEB liability	2,094,986	-	(716,199)	1,378,787	-
Total	$ 9,240,209	$ 155,238	$ (1,581,514)	$ 7,813,933	$ 174,944

Capital Lease Obligation
See Note 7 for further information on the ESC's capital lease obligations.

Compensated Absences
Compensated absences will be paid from the fund from which the employees' salaries are paid, which consist of the general fund.

Net Pension Liability
See Note 10 for further information on the ESC's net pension liability. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Net OPEB Liability

See Note 11 for further information on the ESC's net OPEB liability. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 9 - RISK MANAGEMENT

A. Comprehensive

The ESC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The ESC has a comprehensive property and casualty policy through Schools of Ohio Risk Sharing Authority. There is no deductible on any occurrences except $50,000 on Earth Movement and Floods. All Board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are $2,000,000 per occurrence and $8,000,000 per aggregate. The treasurer is covered under a surety bond in the amount of $250,000. The ESC also has an Employed Lawyers Liability policy through Illinois National Insurance Company. The policy covers up to $1,000,000 of liability for an in-house attorney.

Settled claims have not exceeded this commercial coverage in the past three years. There has been no significant reduction in coverage from fiscal year 2019.

B. Group Workers' Compensation Rating Plan

For fiscal year 2019, the ESC participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Life, Medical, Dental and Vision Insurance

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. The ESC is a member of a claims servicing pool, consisting of school districts and other entities throughout the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the ESC's behalf. The plan is administered through the Jefferson Health Plan and provides stop loss protection of claims over $1,500,000 per individual per year. The claims liability of $92,702 as reported in the internal service fund at June 30, 2019, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

NOTE 9 - RISK MANAGEMENT - (Continued)

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

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2019	$ 51,822	$ 941,017	$ (900,137)	$ 92,702
2018	51,286	708,563	(708,027)	51,822

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. 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 ESC'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 ESC's obligation for this liability to annually required payments. The ESC cannot control benefit terms or the manner in which pensions are financed; however, the ESC 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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the ESC 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 ESC's contractually required contribution to SERS was $255,477 for fiscal year 2019. Of this amount, $13,701 is reported as pension and postemployment benefits payable.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. 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 ESC 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 ESC's contractually required contribution to STRS was $238,689 for fiscal year 2019. Of this amount, $22,308 is reported as pension and postemployment benefits payable.

D. 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 ESC's proportion of the net pension liability was based on the ESC'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	0.05886740%	0.01387005%	
Proportion of the net pension liability current measurement date	0.04943610%	0.01497649%	
Change in proportionate share	-0.00943130%	0.00110644%	
Proportionate share of the net pension liability	$ 2,831,297	$ 3,292,994	$ 6,124,291
Pension expense	$ 437,891	$ 210,259	$ 648,150

At June 30, 2019, the ESC 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	$ 155,281	$ 76,014	$ 231,295
Changes of assumptions	63,937	583,580	647,517
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	219,947	160,578	380,525
ESC contributions subsequent to the measurement date	255,477	238,689	494,166
Total deferred outflows of resources	$ 694,642	$ 1,058,861	$ 1,753,503

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 21,506	$ 21,506
Net difference between projected and actual earnings on pension plan investments	78,444	199,683	278,127
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	309,425	335,683	645,108
Total deferred inflows of resources	$ 387,869	$ 556,872	$ 944,741

$494,166 reported as deferred outflows of resources related to pension resulting from ESC 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	$ 225,709	$ 176,355	$ 402,064
2021	(57,442)	85,915	28,473
2022	(92,913)	3,609	(89,304)
2023	(24,058)	(2,579)	(26,637)
Total	$ 51,296	$ 263,300	$ 314,596

E. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 ESC'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	$ 3,988,095	$ 2,831,297	$ 1,861,399

F. 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 ESC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the ESC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the ESC'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	$ 4,808,984	$ 3,292,994	$ 2,009,914

NOTE 11 - DEFINED BENEFIT OPEB PLANS

A. 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 ESC'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 ESC's obligation for this liability to annually required payments. The ESC cannot control benefit terms or the manner in which OPEB are financed; however, the ESC 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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

B. Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The ESC 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 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 ESC's surcharge obligation was $20,103.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The ESC's contractually required contribution to SERS was $29,565 for fiscal year 2019. Of this amount, $20,610 is reported as pension and postemployment benefits payable.

C. 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.

NOTE 11 - 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 fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

D. 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 ESC's proportion of the net OPEB liability/asset was based on the ESC'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	0.05789790%	0.01387005%	
Proportion of the net OPEB liability/asset current measurement date	0.04969910%	0.01497649%	
Change in proportionate share	-0.00819880%	0.00110644%	
Proportionate share of the net OPEB liability	$ 1,378,787	$ -	$ 1,378,787
Proportionate share of the net OPEB asset	$ -	$ (240,657)	$ (240,657)
OPEB expense	$ 15,745	$ (522,692)	$ (506,947)

At June 30, 2019, the ESC 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	$ 22,507	$ 28,109	$ 50,616
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	-	39,429	39,429
ESC contributions subsequent to the measurement date	29,565	-	29,565
Total deferred outflows of resources	$ 52,072	$ 67,538	$ 119,610

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 14,021	$ 14,021
Net difference between projected and actual earnings on pension plan investments	2,068	27,493	29,561
Changes of assumptions	123,873	327,913	451,786
Difference between ESC contributions and proportionate share of contributions/ change in proportionate share	239,104	36,416	275,520
Total deferred inflows of resources	$ 365,045	$ 405,843	$ 770,888

$29,565 reported as deferred outflows of resources related to OPEB resulting from ESC 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:			
2019	$ (102,735)	$ (61,821)	$ (164,556)
2020	(88,838)	(61,821)	(150,659)
2021	(44,833)	(61,820)	(106,653)
2022	(43,954)	(55,577)	(99,531)
2023	(44,096)	(53,390)	(97,486)
Thereafter	(18,082)	(43,876)	(61,958)
Total	$ (342,538)	$ (338,305)	$ (680,843)

E. 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.

Sensitivity of the ESC'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	$ 1,673,050	$ 1,378,787	$ 1,145,786

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	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	$ 1,112,428	$ 1,378,787	$ 1,731,494

F. 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%	

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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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 ESC'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.

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
ESC's proportionate share of the net OPEB asset	$ 206,266	$ 240,657	$ 269,561

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 267,930	$ 240,657	$ 212,959

NOTE 12 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the ESC.

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

NOTE 13 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget. Part (B) of the budget is funded in the following way: $37.00 times the Average Daily Membership (ADM-the total number of pupils under the ESC’s supervision) is apportioned by the State Board of Education from the local school ESCs to which the ESC provides services from payments made under the State’s foundation program. Simultaneously, $26.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC. This amount is pro-rated to stay within the appropriation in each fiscal year.

NOTE 14 - COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 1,970
Total	$ 1,970

NOTE 15 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable at June 30, 2019 consisted of the following as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General fund	$ 39,160	
Alternative school	-	37,786
Miscellaneous federal grants fund	-	1,374
Total	$ 39,160	$ 39,160

The primary purpose of the interfund balances is to cover cash deficits at June 30. These interfund balances will be repaid once the anticipated cash is received. Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Services provided to other entities	$ 3,001,000	$ 3,699,646	$ 3,699,646	$ -
Tuition	1,502,254	1,496,511	1,496,511	-
Earnings on investments	7,000	13,666	13,666	-
Contributions and donations	8,000	4,700	4,700	-
Other local revenues	500	343	343	-
Intergovernmental - state	350,000	338,487	338,487	-
Total revenues	4,868,754	5,553,353	5,553,353	-
Expenditures:				
Current:				
Instruction:				
Regular	16,701	20,179	20,179	-
Special	442,109	488,309	488,309	-
Other	10,508	10,500	10,500	-
Support services:				
Pupil	971,238	1,063,789	1,063,789	-
Instructional staff	1,116,231	1,374,276	1,374,276	-
Board of education	18,722	17,201	17,201	-
Administration	1,718,609	1,713,662	1,713,662	-
Fiscal	254,097	528,589	528,589	-
Business	10,007	-	-	-
Operations and maintenance	39,095	41,336	41,336	-
Operation of non-instructional services	-	334,672	334,672	-
Total expenditures	4,597,317	5,592,513	5,592,513	-
Excess of revenues over (under) expenditures	271,437	(39,160)	(39,160)	-
Other financing sources (uses):				
Refund of prior year's expenditures	-	8,478	8,478	-
Refund of prior year's receipts	-	(1,794)	(1,794)	-
Transfers in	-	104,882	104,882	-
Transfers (out)	-	(104,882)	(104,882)	-
Advances in	-	556,605	556,605	-
Advances (out)	-	(550,585)	(550,585)	-
Sale of capital assets	-	35,740	35,740	-
Total other financing sources (uses)	-	48,444	48,444	-
Net change in fund balance	271,437	9,284	9,284	-
Fund balance at beginning of year	1,249,777	1,249,777	1,249,777	-
Prior year encumbrances appropriated	37,596	37,596	37,596	-
Fund balance at end of year	$ 1,558,810	$ 1,296,657	$ 1,296,657	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALTERNATIVE SCHOOL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Tuition.	$ 332,000	$ 202,989	$ 202,989	$ -
Contract services.	-	300	300	-
Intergovernmental - state	160,000	160,000	160,000	-
Total revenue	492,000	363,289	363,289	-
Expenditures:				
Current:				
Instruction:				
Regular	71,334	240,966	240,966	-
Support Services:				-
Pupil.	25,563	86,352	86,352	-
Administration.	13,836	46,738	46,738	-
Operations and maintenance.	1,329	4,491	4,491	-
Total expenditures	112,062	378,547	378,547	-
Excess of revenues over (under) expenditures.	379,938	(15,258)	(15,258)	-
Other financing sources (uses):				
Advances in.	-	37,786	37,786	-
Advances (out)	(5,757)	(19,447)	(19,447)	-
Total other financing sources (uses).	(5,757)	18,339	18,339	-
Net change in fund balance	374,181	3,081	3,081	-
Fund balance at beginning of year	63,223	63,223	63,223	-
Prior year encumbrances appropriated . .	41	41	41	-
Fund balance at end of year	$ 437,445	$ 66,345	$ 66,345	$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MISCELLANEOUS FEDERAL GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Intergovernmental - intermediate	$ -	$ 30,796	$ 30,891	$ 95
Intergovernmental - federal	200,000	413,477	414,752	1,275
Total revenue	200,000	444,273	445,643	1,370
Expenditures:				
Current:				
Instruction:				
Regular	23,835	91,704	91,704	-
Support Services:				-
Pupil	33,850	28,136	28,136	-
Instructional staff	49,490	114,938	114,938	-
Administration	10,000	116,372	116,372	-
Business	55,150	51,625	51,625	-
Pupil transportation	3,800	3,351	3,351	-
Central	25,000	10,000	10,000	-
Operation of non-instructional services	-	10,736	10,736	-
Total expenditures	201,125	426,862	426,862	-
Excess of revenues over (under) expenditures	(1,125)	17,411	18,781	1,370
Other financing sources:				
Advances in	-	1,370	1,374	4
Net change in fund balance	(1,125)	18,781	20,155	1,374
Fund balance at beginning of year	-	-	-	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance (deficit) at end of year	$ (1,125)	$ 18,781	$ 20,155	$ 1,374

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - BUDGETARY PROCESS

The ESC is not required under State statute to file budgetary information with the State Department of Education. However, the ESC Governing Board does follow the budgetary process for control purposes.

The ESC Governing Board adopts an annual appropriation resolution, which is the Governing Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the ESC has elected to present the general fund and alternative schools fund budgetary statement comparison schedule at the fund and function level. 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 amounts reported as the original budgeted amounts on the budgetary schedule reflects the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amount reported as the final budgeted amounts on the budgetary schedule represents the final appropriation amounts passed by the Governing Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) - for the general fund, the alternative school fund, and the miscellaneous federal grants fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

3. To reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

4. Advances-in and advances-out are operating transactions (budget-basis) as opposed to balance sheet transactions (GAAP basis); and

5. Some funds are included in the general fund (GAAP basis) but have separate budgets (budget-basis).

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund, alternative school fund, and the miscellaneous federal grants fund is as follows:

Net Change in Fund Balance

	General	Alternative School Fund	Miscellaneous Federal Grants Fund
Budget basis	$ 9,284	$ 3,081	$ 20,155
Net adjustment for revenue accruals	63,579	26,368	-
Net adjustment for expenditure accruals	74,995	1,356	(13,029)
Net adjustment for other sources/uses	(48,444)	(18,339)	(1,374)
Adjustment for encumbrances	3,386	-	-
GAAP basis	$ 102,800	$ 12,466	$ 5,752

The internal service rotary fund that is budgeted in a separate special revenue fund is considered part of the general fund on a GAAP basis.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	**2018**	**2017**	**2016**
ESC's proportion of the net pension liability	0.04943610%	0.05886740%	0.05890660%	0.04100570%
ESC's proportionate share of the net pension liability	$ 2,831,297	$ 3,517,197	$ 4,311,420	$ 2,339,825
ESC's covered payroll	$ 1,639,704	$ 1,936,700	$ 1,843,393	$ 1,234,484
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	172.67%	181.61%	233.89%	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 ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014
0.02939100%	0.02939100%
$ 1,487,462	$ 1,747,788
$ 854,033	$ 788,158
174.17%	221.76%
71.70%	65.52%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
ESC's proportion of the net pension liabilit	0.01497649%	0.01387005%	0.01482333%	0.01628096%
ESC's proportionate share of the net pension liability	$ 3,292,994	$ 3,294,860	$ 4,961,815	$ 4,499,581
ESC's covered payroll	$ 1,710,350	$ 1,535,893	$ 1,554,429	$ 1,698,643
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	192.53%	214.52%	319.20%	264.89%
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 ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014
0.01631771%	0.01631771%
$ 3,969,032	$ 4,727,885
$ 1,667,223	$ 2,092,431
238.06%	225.95%
74.70%	69.30%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	**2018**	**2017**	**2016**
Contractually required contribution	$ 255,477	$ 221,360	$ 271,138	$ 258,075
Contributions in relation to the contractually required contribution	(255,477)	(221,360)	(271,138)	(258,075)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 1,892,422	$ 1,639,704	$ 1,936,700	$ 1,843,393
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	
$	162,705	$	118,369	$	109,081	$	231,302	$	204,068	$	217,378
	(162,705)		(118,369)		(109,081)		(231,302)		(204,068)		(217,378)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,234,484	$	854,033	$	788,158	$	1,719,717	$	1,623,453	$	1,605,451
	13.18%		13.86%		13.84%		13.45%		12.57%		13.54%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 238,689	$ 239,449	$ 215,025	$ 217,620
Contributions in relation to the contractually required contribution	(238,689)	(239,449)	(215,025)	(217,620)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 1,704,921	$ 1,710,350	$ 1,535,893	$ 1,554,429
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	
$	237,810	$	216,739	$	272,016	$	331,100	$	402,590	$	348,177
	(237,810)		(216,739)		(272,016)		(331,100)		(402,590)		(348,177)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,698,643	$	1,667,223	$	2,092,431	$	2,546,923	$	3,096,846	$	2,678,285
	14.00%		13.00%		13.00%		13.00%		13.00%		13.00%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
ESC's proportion of the net OPEB liability	0.04969910%	0.05789790%	0.05897423%
ESC's proportionate share of the net OPEB liability	$ 1,378,787	$ 1,553,828	$ 1,680,984
ESC's covered payroll	$ 1,639,704	$ 1,936,700	$ 1,843,393
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	84.09%	80.23%	91.19%
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 ESC's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	2018	2017
ESC's proportion of the net OPEB liability/asset	0.01497649%	0.01387005%	0.01482333%
ESC's proportionate share of the net OPEB liability/(asset)	$ (240,657)	$ 541,158	$ 792,756
ESC's covered payroll	$ 1,710,350	$ 1,535,893	$ 1,554,429
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.07%	35.23%	51.00%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 29,565	$ 33,033	$ 23,050	$ 26,747
Contributions in relation to the contractually required contribution	(29,565)	(33,033)	(23,050)	(26,747)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 1,892,422	$ 1,639,704	$ 1,936,700	$ 1,843,393
Contributions as a percentage of covered payroll	1.56%	2.01%	1.19%	1.45%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	17,780	$	9,795	$	27,644	$	39,463	$	31,924	$	16,166
	(17,780)		(9,795)		(27,644)		(39,463)		(31,924)		(16,166)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,234,484	$	854,033	$	788,158	$	1,719,717	$	1,623,453	$	1,605,451
	1.44%		1.15%		3.51%		2.29%		1.97%		1.01%

JEFFERSON COUNTY EDUCATIONAL CENTER
JEFFERSON COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF ESC 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)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 1,704,921	$ 1,710,350	$ 1,535,893	$ 1,554,429
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	
$	-	$	16,058	$	20,924	$	25,469	$	30,968	$	26,783
	-		(16,058)		(20,924)		(25,469)		(30,968)		(26,783)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,698,643	$	1,667,223	$	2,092,431	$	2,546,923	$	3,096,846	$	2,678,285
	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.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

To the Members of the Governing Board
Jefferson County Educational Service Center
Steubenville, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Educational Service Center, Jefferson County, Ohio, (the Center) as of and for the year ended June 30, 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 December 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 2, 2020

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER
JEFFERSON COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The prior audit period, as of June 30, 2018, included no citations. Management letter recommendations have been corrected or repeated.

OHIO AUDITOR OF STATE
KEITH FABER

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER

JEFFERSON 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 1/19/2021

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