OHIO AUDITOR OF STATE
KEITH FABER

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY

TABLE OF CONTENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY

TABLE OF CONTENTS
(Continued)

TITLE **PAGE**

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

North Point Educational Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870-5842

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Point Educational Service Center, Erie County, Ohio (the ESC), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ESC, as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3.A to the 2020 financial statements, during 2020, the ESC adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 13.D to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the ESC. We did not modify our opinion regarding this matter.

As discussed in Note 16 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the ESC. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund present additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2021, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ESC's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

May 3, 2021

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The management's discussion and analysis of North Point 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 $1,134,105 which represents a 5.54% decrease from the restated net position at June 30, 2019.

- General revenues accounted for $1,127,047 or 6.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, and capital grants and contributions accounted for $15,749,378 or 93.32% of total revenues of $16,876,425.

- The ESC had $18,010,530 in expenses related to governmental activities; $15,749,378 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,127,047 were not adequate to provide for these programs.

- The general fund and the permanent improvement fund are the ESC's two major governmental funds. The general fund had $16,222,561 in revenues and $16,885,801 in expenditures. During fiscal year 2020, the general fund's fund balance decreased $663,240 from $3,555,900 to a balance of $2,892,660.

- The permanent improvement fund had $10,442 in revenues and $7,789 in expenditures. During fiscal year 2020, the permanent improvement fund's fund balance increased $2,653 from $719,539 to a balance of $722,192.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader may understand the ESC as a financial whole, an entire operating entity. The statements 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 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 permanent improvement fund are the only two 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 the ESC perform financially during 2020?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's net position and changes in net position. The ESC's 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 and required educational programs, among others.

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.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

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 two major governmental funds are the general fund and the permanent improvement 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.

Reporting the ESC's Fiduciary Responsibilities

The ESC is the fiscal agent of Northern Ohio Educational Computer Association (NOECA), a computer consortium, the Bay Area Council of Governments, and Huron-Erie School Employees Insurance Association. NOECA, the Bay Area Council of Governments, and Huron-Erie School Employees Insurance Association are presented as custodial funds. All of the ESC's fiduciary activities are reported in the statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the ESC's other financial statements because these resources 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.

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.

Budgetary Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information.

The ESC as a Whole

The table below provides a summary of the ESC's net position at June 30, 2020 and 2019. Net position has been restated as described in Note 3.

Net Position

	Governmental Activities 2020	Restated Governmental Activities 2019
Assets		
Current and other assets	$ 6,698,761	$ 7,759,384
Capital assets, net	1,520,848	1,614,679
Total assets	8,219,609	9,374,063
Deferred Outflows of Resources		
Pension	4,177,874	6,106,865
OPEB	549,578	383,389
Total deferred outflows of resources	4,727,452	6,490,254
Liabilities		
Current liabilities	1,729,508	1,994,005
Long-term liabilities:		
Due within one year	180,295	290,124
Due in more than one year:		
Net pension liability	24,083,318	24,580,745
Net OPEB liability	2,991,526	3,387,037
Other amounts	686,554	959,567
Total liabilities	29,671,201	31,211,478
Deferred Inflows of Resources		
Pension	2,207,879	2,581,211
OPEB	2,678,568	2,548,110
Total deferred inflows of resources	4,886,447	5,129,321
Net Position		
Net investment in capital assets	1,515,352	1,607,663
Restricted	15,504	46,965
Unrestricted (deficit)	(23,141,443)	(22,131,110)
Total net position (deficit)	$ (21,610,587)	$ (20,476,482)

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.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP 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 $21,610,587. Of this total, $15,504 is restricted in use.

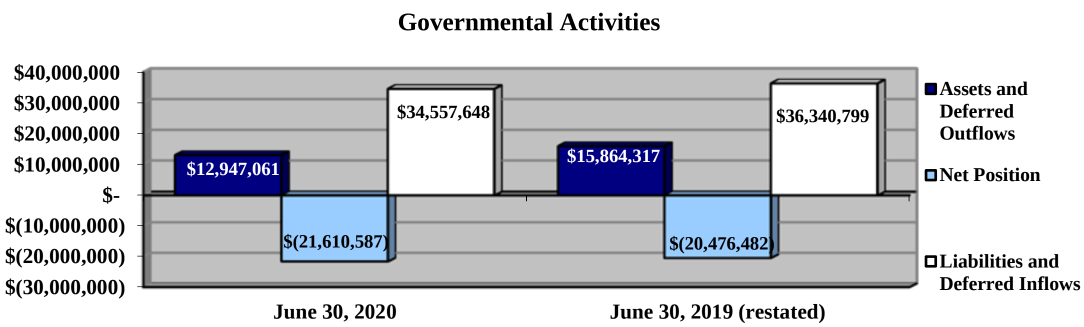
Current assets decreased primarily due a decrease in cash and cash equivalents due to results of operations.

At fiscal year-end, capital assets represented 18.50% of total assets. Capital assets include land, buildings and leaseholder improvements, furniture and equipment and vehicles. The ESC's net investment in capital assets at June 30, 2020, was $1,515,352. These capital assets are used to provide the ESC's services, thus net position invested in capital assets equal to the carrying value of assets is not available for future spending.

Deferred outflows related to pension decreased primarily due to changes in assumptions by STRS. See Note 11 for more detail.

A portion of the ESC's net position, $15,504, represents resources that are subject to external restriction on how these resources may be used. The remaining balance of unrestricted net position is a deficit of $23,141,443.

The graph that follows illustrates the governmental activities assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2020 and 2019. The amounts if June 30, 2019 have been restated as described in Note 3.



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The table below shows the change in net position for fiscal years 2020 and 2019. Due to immateriality, 2019 revenues and expenses in the table below have not been adjusted to reflect the implementation of GASB No. 84 (see Note 3). Rather, the cumulative impact of applying GASB No. 84 is reflected in the beginning net position for 2019.

Change in Net Position

	Governmental Activities 2020	Restated Governmental Activities 2019
Revenues		
Program revenues:		
Charges for services and sales	$ 15,078,115	$ 16,201,130
Operating grants and contributions	660,821	625,368
Capital grants and contributions	10,442	15,641
General revenues:		
Grants and entitlements	991,787	974,070
Investment earnings	61,190	111,796
Miscellaneous	74,070	59,068
Total revenues	16,876,425	17,987,073
Expenses		
Program expenses:		
Instruction:		
Regular	949,947	795,624
Special	7,066,512	6,796,467
Support services:		
Pupil	5,309,457	4,115,046
Instructional staff	2,665,613	2,365,930
Board of education	55,271	84,542
Administration	683,214	596,555
Fiscal	418,560	401,425
Business	-	1,061
Operations and maintenance	667,291	608,839
Central	124,233	75,587
Operation of non-instructional services	47,202	52,092
Extracurricular activities	22,914	21,755
Interest and fiscal charges	316	454
Total expenses	18,010,530	15,915,377
Change in net position	(1,134,105)	2,071,696
Net position (deficit) at beginning of year (restated)	(20,476,482)	N/A
Net position (deficit) at end of year	$ (21,610,587)	$ (20,476,482)

Governmental Activities

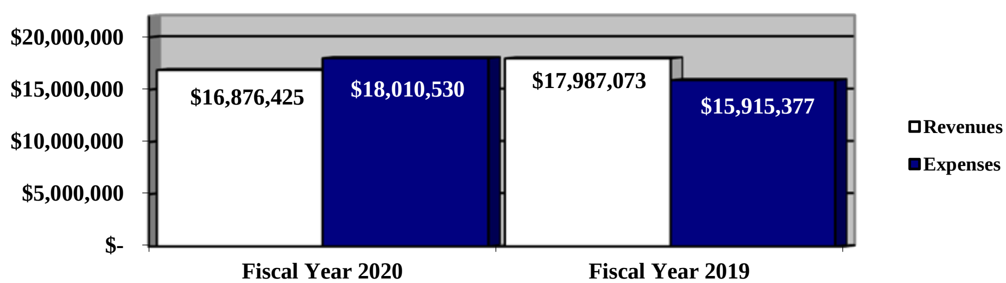
Net position of the ESC's governmental activities decreased $1,134,105. Total governmental expenses of $18,010,530 were partially offset by program revenues of $15,749,378 and general revenues of $1,127,047. Program revenues supported 87.45% of the total governmental expenses.

Total revenues of the ESC decreased $1,110,648 or 6.17%. The primary sources of revenue for governmental activities are derived from sales and charges for services provided to other entities. This revenue source represents 89.34% of total governmental revenue.

Overall, expenses of the governmental activities increased $2,095,153 or 13.16%. On an accrual basis, the ESC reported $2,706,080 and $1,322,385 in pension expense for fiscal years 2020 and 2019, respectively. In addition, the ESC reported ($353,323) and ($2,673,330) 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 $3,703,702. 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



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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.

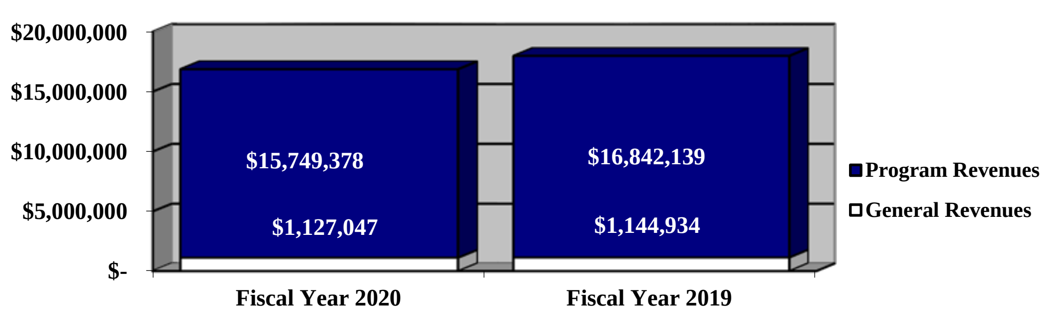
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program expenses				
Instruction:				
Regular	$ 949,947	$ 135,659	$ 795,624	$ (27,319)
Special	7,066,512	866,508	6,796,467	(224,589)
Support services:				
Pupil	5,309,457	757,226	4,115,046	(556,395)
Instructional staff	2,665,613	197,643	2,365,930	(201,021)
Board of education	55,271	7,279	84,542	4,989
Administration	683,214	27,108	596,555	2,056
Fiscal	418,560	60,291	401,425	(21,785)
Business	-	-	1,061	(136)
Operations and maintenance	667,291	185,317	608,839	114,384
Central	124,233	33,827	75,587	(13,044)
Operation of non-instructional services	47,202	(2,439)	52,092	(1,197)
Extracurricular activities	22,914	(7,583)	21,755	(3,159)
Interest and fiscal charges	316	316	454	454
Total expenses	$ 18,010,530	$ 2,261,152	$ 15,915,377	$ (926,762)

For all governmental activities, program revenue support is 87.45%. 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 reported a combined fund balance of $3,630,356, which is lower than last year's restated balance of $4,322,404. The schedule below indicates the fund balances and the total change in fund balances during the fiscal years ended June 30, 2020 and June 30, 2019.

	Fund Balance June 30, 2020	Restated Fund Balance June 30, 2019	Change
General	$ 2,892,660	$ 3,555,900	$ (663,240)
Permanent improvement	722,192	719,539	2,653
Nonmajor governmental	15,504	46,965	(31,461)
Total	$ 3,630,356	$ 4,322,404	$ (692,048)

General Fund

The ESC's general fund balance decreased by $663,240. Overall revenues decreased by 6.97%. Tuition decreased from $15,746,883 to $14,613,750 or 7.20% due to the ESC providing services to less students in the north central Ohio area as enrollment declines. Additionally, earnings on investments decreased $50,606 or 45.27% due to the ESC receiving decreased returns on investments in STAR Ohio.

Expenditures in the general fund decreased $1,630,706 or 8.81% from fiscal year 2019. Instruction expenditures decreased $1,177,466 or 13.94%. This decrease was primarily due to decreased spending for multi-handicapped learning experiences for students in grades 7 through 12, preschool expenditures, and severe behavior handicapped expenditures. Support services expenditures decreased $442,510 or 4.41% primarily due to decreased support service expenditures for students with disabilities in grades 7 through 12.

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

	2020 Amount	2019 Amount	Change	Percentage Change
Revenues				
Tuition	$ 14,613,750	$ 15,746,883	$ (1,133,133)	(7.20) %
Contract services	466,007	527,853	(61,846)	(11.72) %
Earnings on investments	61,190	111,796	(50,606)	(45.27) %
Intergovernmental	991,787	974,070	17,717	1.82 %
Other revenues	89,827	76,575	13,252	17.31 %
Total	$ 16,222,561	$ 17,437,177	$ (1,214,616)	(6.97) %
Expenditures				
Instruction	$ 7,269,516	$ 8,446,982	$ (1,177,466)	(13.94) %
Support services	9,585,301	10,027,811	(442,510)	(4.41) %
Operation of non-instructional services	6,873	14,709	(7,836)	(53.27) %
Extracurricular activities	22,275	25,169	(2,894)	(11.50) %
Debt service	1,836	1,836	-	- %
Total	$ 16,885,801	$ 18,516,507	$ (1,630,706)	(8.81) %

Permanent Improvement Fund

The ESC's permanent improvement fund balance increased by $2,653. The fund's increase was due to earnings on investments of $10,442 exceeding expenditures of $7,789.

Capital Assets

At the end of fiscal year 2020, the ESC had $1,520,848 invested in land, buildings and leaseholder improvements, furniture and equipment, and vehicles. This entire amount is reported among the ESC's 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	$ 114,850	$ 114,850
Buildings and leaseholder improvements	1,361,591	1,459,783
Furniture and equipment	29,406	25,045
Vehicles	15,001	15,001
Total	$ 1,520,848	$ 1,614,679

The overall decrease in the ESC's capital assets, net of accumulated depreciation, of $93,831 is attributable to the depreciation expenses of $100,831 exceeding capital asset additions of $7,000 during fiscal year 2020. The ESC's only capital asset addition recorded during fiscal year 2020 was a new lawn mower.

See Note 7 to the basic financial statements for additional information to the ESC's capital assets.

Long-Term Obligations

The long-term liabilities for the ESC's governmental activities are for compensated absences, net pension liability, net OPEB liability, and a capital lease. See Notes 8, 11, 12, and 15 to the basic financial statements for detail.

Current Financial Related Activities

The ESC relies heavily on contracts with local, city and exempted village school Districts in a five-county area, State foundation revenue and grants. During this uncertain time we are not sure if contracts with districts will continue to rise as they were pre-spring of 2020 or if they will stay steady. The ESC also looks to expand services, providing fiscal, administrative and other services to entities. Currently some of those entities are the Northern Ohio Educational Computer Association, Bay Area Gas Consortium, and the Huron-Erie School Employees Insurance Consortium. These new contracts and expanded services along with the ESC's cash balance will provide the necessary funds to meet operating expenses in the future.

One challenge that is being faced by Educational Service Centers is the legislation regarding how Districts are "tied" to an ESC. The supervisory allowance, gifted funding and preschool funding have been deleted or altered in some way. These changes have led the ESC to bill differently for these programs. What effect this legislation will have on future State funding and on ESC financial operations is uncertain at this time. Uncertainty with the State biennial budget and future budget cuts are also a concern.

Another challenge facing the North Point Educational Service Center is the declining enrollment in the north central Ohio area over the past few years, and the projected decline in the future. State foundation funding is based on the average daily membership of the school districts in the counties, so the decline will directly impact State funding.

The State of Ohio cut public school funding in May of 2020 due to the loss in tax revenue at the State level attributable to COVID-19. All ESCs statewide were held harmless from the State funding cuts.

Contacting the ESC's Financial Management

This financial report is designed to provide local school districts, citizens, creditors, and other interested parties 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. Matt Bauer, Treasurer, North Point ESC, 4918 Milan Road, Sandusky, Ohio or by calling (419) 627-3901.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 4,921,579
Receivables:	
Accounts	5,568
Intergovernmental	487,204
Prepayments	1,227
Net OPEB asset	1,283,183
Capital assets:	
Nondepreciable capital assets	114,850
Depreciable capital assets, net	1,405,998
Capital assets, net	1,520,848
Total assets	8,219,609
Deferred outflows of resources:	
Pension	4,177,874
OPEB	549,578
Total deferred outflows of resources	4,727,452
Liabilities:	
Accounts payable	24,461
Accrued wages and benefits payable	1,445,267
Intergovernmental payable	25,108
Pension and postemployment benefits payable	234,672
Long-term liabilities:	
Due within one year	180,295
Due in more than one year:	
Net pension liability	24,083,318
Net OPEB liability	2,991,526
Other amounts due in more than one year	686,554
Total liabilities	29,671,201
Deferred inflows of resources:	
Pension	2,207,879
OPEB	2,678,568
Total deferred inflows of resources	4,886,447
Net position:	
Net investment in capital assets	1,515,352
Restricted for:	
Permanent fund - nonexpendable	2,645
Locally funded programs	2,069
Other purposes	10,790
Unrestricted (deficit)	(23,141,443)
Total net position (deficit)	$ (21,610,587)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental activities:					
Instruction:					
Regular	$ 949,947	$ 728,314	$ 85,974	$ -	$ (135,659)
Special	7,066,512	5,883,056	316,948	-	(866,508)
Support services:					
Pupil	5,309,457	4,550,378	1,853	-	(757,226)
Instructional staff	2,665,613	2,326,809	141,161	-	(197,643)
Board of education	55,271	47,992	-	-	(7,279)
Administration	683,214	647,106	9,000	-	(27,108)
Fiscal	418,560	343,869	14,400	-	(60,291)
Operations and maintenance	667,291	448,163	23,369	10,442	(185,317)
Central	124,233	90,406	-	-	(33,827)
Operation of non-instructional services	47,202	2,861	46,780	-	2,439
Extracurricular activities	22,914	9,161	21,336	-	7,583
Interest and fiscal charges	316	-	-	-	(316)
Total governmental activities	$ 18,010,530	$ 15,078,115	$ 660,821	$ 10,442	(2,261,152)

General revenues:	
Grants and entitlements not restricted to specific programs	991,787
Investment earnings	61,190
Miscellaneous	74,070
Total general revenues	1,127,047
Change in net position	(1,134,105)
Net position (deficit) at beginning of year (restated)	(20,476,482)
Net position (deficit) at end of year	$ (21,610,587)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 4,183,883	$ 722,192	$ 15,504	$ 4,921,579
Receivables:				
Accounts	5,568	-	-	5,568
Intergovernmental	487,204	-	-	487,204
Prepayments	1,227	-	-	1,227
Total assets	$ 4,677,882	$ 722,192	$ 15,504	$ 5,415,578
Liabilities:				
Accounts payable	$ 24,461	$ -	$ -	$ 24,461
Accrued wages and benefits payable	1,445,267	-	-	1,445,267
Compensated absences payable	25,749	-	-	25,749
Intergovernmental payable	25,108	-	-	25,108
Pension and postemployment benefits payable	234,672	-	-	234,672
Total liabilities	1,755,257	-	-	1,755,257
Deferred inflows of resources:				
Intergovernmental revenue not available	2,200	-	-	2,200
Contract services not available	600	-	-	600
Tuition revenue not available	27,165	-	-	27,165
Total deferred inflows of resources	29,965	-	-	29,965
Fund balances:				
Nonspendable:				
Prepaids	1,227	-	-	1,227
Permanent fund	-	-	2,645	2,645
Restricted:				
State funded programs	-	-	12,859	12,859
Committed:				
Capital improvements	-	722,192	-	722,192
Assigned:				
Student instruction	19,504	-	-	19,504
Student and staff support	81,593	-	-	81,593
Subsequent year's appropriations	2,744,587	-	-	2,744,587
Other purposes	45,749	-	-	45,749
Total fund balances	2,892,660	722,192	15,504	3,630,356
Total liabilities, deferred inflows and fund balances	$ 4,677,882	$ 722,192	$ 15,504	$ 5,415,578

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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

Total governmental fund balances		$ 3,630,356
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,520,848
Other long-term assets, such as accounts receivable are not available available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Tuition revenue receivable	$ 27,165	
Contract services receivable	600	
Intergovernmental receivable	2,200	
Total		29,965
Long-term liabilities, such as compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(5,496)	
Compensated absences	(835,604)	
Total		(841,100)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - Pension	4,177,874	
Deferred Inflows - Pension	(2,207,879)	
Net pension liability	(24,083,318)	
Total		(22,113,323)
The net OPEB liability/asset is not due and payable in the current period or available to pay for current-period expenditures, therefore, the liability/asset and related deferred inflows and outflows of resources are not reported in the funds.		
Deferred outflows - OPEB	549,578	
Deferred Inflows - OPEB	(2,678,568)	
Net OPEB asset	1,283,183	
Net OPEB liability	(2,991,526)	
Total		(3,837,333)
Net position (deficit) of governmental activities		$ (21,610,587)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	$ 14,613,750	$ -	$ -	$ 14,613,750
Earnings on investments	61,190	10,442	-	71,632
Extracurricular	-	-	3,740	3,740
Rental income	3,080	-	-	3,080
Contributions and donations	12,022	-	370	12,392
Contract services	466,007	-	-	466,007
Other local revenues	74,725	-	-	74,725
Intergovernmental - intermediate	-	-	53,909	53,909
Intergovernmental - state	991,787	-	447,169	1,438,956
Intergovernmental - federal	-	-	131,373	131,373
Total revenues	16,222,561	10,442	636,561	16,869,564
Expenditures:				
Current:				
Instruction:				
Regular	823,463	-	85,974	909,437
Special	6,446,053	-	319,805	6,765,858
Support services:				
Pupil	5,144,739	-	2,945	5,147,684
Instructional staff	2,552,841	-	172,413	2,725,254
Board of education	54,452	-	-	54,452
Administration	668,936	-	9,000	677,936
Fiscal	386,405	-	14,400	400,805
Operations and maintenance	654,131	7,789	23,369	685,289
Central	123,797	-	-	123,797
Operation of non-instructional services	6,873	-	40,116	46,989
Extracurricular activities	22,275	-	-	22,275
Debt service:				
Principal retirement	1,520	-	-	1,520
Interest and fiscal charges	316	-	-	316
Total expenditures	16,885,801	7,789	668,022	17,561,612
Net change in fund balances	(663,240)	2,653	(31,461)	(692,048)
Fund balances at beginning of year (restated)	3,555,900	719,539	46,965	4,322,404
Fund balances at end of year	$ 2,892,660	$ 722,192	$ 15,504	$ 3,630,356

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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			$	(692,048)
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.				
Capital asset additions	$	7,000		
Current year depreciation		(100,831)		
				(93,831)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Tuition		7,808		
Contract services		(292)		
Intergovernmental		(655)		
Total				6,861
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.				1,520
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 the governmental funds.				
Decrease in compensated absences				279,647
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.				1,647,848
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.				(2,706,080)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.				68,655
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.				353,323
Change in net position of governmental activities			$	(1,134,105)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Custodial
Assets:	
Equity in pooled cash	
and investments	$ 21,534,506
Liabilities:	
Current liabilities:	
Accounts payable	54
Unearned revenue	341,923
Total liabilities	341,977
Net position:	
Restricted for individuals, organizations and other governments . .	$ 21,192,529

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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

	Custodial
Additions:	
Amounts received as fiscal agent	$ 36,568,468
Deductions:	
Distributions as fiscal agent	35,213,629
Change in net position	1,354,839
Net position at beginning of year (restated)	19,837,690
Net position at end of year	$ 21,192,529

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ESC

The North Point 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 an Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Governing Board of Education (eleven members) and is responsible for the provision of public education to residents of the local school districts that it services.

The ESC is the result of the July 1, 1997, merger of the Erie County Educational Service Center and the Ottawa County Educational Service Center, the July 1, 1999, merger of the Erie-Ottawa Educational Service Center and the Huron County Educational Service Center, and the July 1, 2008 merger of the Erie-Huron-Ottawa Educational Service Center and the Sandusky County Educational Service Center, under the authority of the Ohio Revised Code Section 3311.053 and 3311.054 and resolutions made by the Governing Boards.

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.

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).

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments
The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of numerous school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the ESC is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. The ESC serves as fiscal agent for BACG. Financial activity for fiscal year 2020 is reported in the basic financial statements as a custodial fund. The ESC paid BACG $4,215 in fiscal year 2020 for its services.

Northern Ohio Educational Computer Association
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of numerous public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees and a representative from the fiscal agent. The ESC serves as fiscal agent for NOECA. Financial activity for 2020 is reported in the basic financial statements as a custodial fund. The ESC paid NOECA $83,439 in fiscal year 2020 for its services.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
The ESC participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association
The Huron-Erie School Employees Insurance Association (the Association) is a public entity risk pool comprised of numerous districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. On January 1, 2006, the ESC became fiscal agent for the Association. Financial activity for fiscal year 2020 is reported in the basic financial statements as an custodial fund.

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

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. The ESC does not have any proprietary funds.

GOVERNMENTAL FUNDS

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

Permanent improvement fund – The permanent improvement fund is used to account for the acquisition, construction, or improvement of capital facilities.

Other 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.

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. The ESC has no trust funds. The ESC's only fiduciary funds are custodial funds which account for various resources held for other organizations.

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

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

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 the majors fund rather than reporting by fund type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of fiduciary net position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

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

Under the modified accrual basis, tuition, interest revenue, revenue from services provided to other entities, intergovernmental revenue and miscellaneous revenues are considered to be both measurable and available at fiscal year-end.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the ESC, See Notes 11 and 12 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, but is not limited to, intergovernmental grants, accrued interest, miscellaneous revenue, contract services, and tuition revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the ESC, See Notes 11 and 12 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. 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 investments" on the financial statements.

During fiscal year 2020, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to $61,190, which includes $0 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 fiscal year-end is provided in Note 4.

F. 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 value as of the date received. The ESC's capitalization threshold is $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 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 and leaseholder improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

G. 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 severance 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.

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.

H. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, compensated absences and net pension/OPEB liability 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.

I. 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 in the general fund.

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.

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

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.

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 amount restricted for other purposes represents amounts restricted for extracurricular activities.

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

K. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the funds balance is nonspendable on the fund financial statements by an amount equal to the carrying amount of the asset.

L. 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.

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

M. Interfund Activity

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

N. 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.

O. 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*".

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 certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the ESC's 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	$ 3,555,900	$ 719,539	$ 36,470	$ 4,311,909
GASB Statement No. 84	-	-	10,495	10,495
Restated Fund Balance, at June 30, 2019	$ 3,555,900	$ 719,539	$ 46,965	$ 4,322,404

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	$ (20,486,977)
GASB Statement No. 84	10,495
Restated net position at June 30, 2019	$ (20,476,482)

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of $19,837,690. 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 $19,848,185.

NOTE 4 - DEPOSITS 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 investments" on the basic financial statements. Statutes require the classification of monies held by the ESC into three categories, as follows.

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 Governing 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, 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 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;

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

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

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 institution’s 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.

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. 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.

A. Cash on Hand

At fiscal year end, the ESC had $43 in undeposited cash on hand which is included on the financial statements of the ESC as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all ESC deposits was $8,058,853, and the bank balance of all ESC deposits was $8,212,106. None of the bank balance was exposed to custodial risk as discussed below.

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 institutions did not participate in 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.

C. Investments

As of June 30, 2020, the ESC had the following investments and maturities:

Investment/Measurement type	Measurement Value	Investment Maturity 6 months or less
Amortized cost:		
STAR Ohio	$ 18,397,189	$ 18,397,189

Credit Risk is the possibility that an issuer or other counter party to an investment will not fulfill its obligation. The ESC’s investments in STAR Ohio were assigned an AAAm money market rating by Standard & Poor’s. The ESC’s investment policy does not specifically address credit risk beyond requiring the ESC to only invest in securities authorized by State statute.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Investment/Measurement type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 18,397,189	100.00

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

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

Cash and cash equivalents per note	
Carrying amount of deposits	$ 8,058,853
Investments	18,397,189
Cash on hand	43
Total	$ 26,456,085
Cash and cash equivalents per statement of net position	
Governmental activities	$ 4,921,579
Custodial funds	21,534,506
Total	$ 26,456,085

NOTE 5 - RECEIVABLES

Receivables at June 30, 2020 consisted of accounts (charges for individual tuition and other services) and intergovernmental (grants and billings to school districts for user charged services). 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:	
Accounts	$ 5,568
Intergovernmental	487,204
Total	$ 492,772

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 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

The local school districts to which belong to the ESC agree to pay a per pupil amount to provide additional funding for services provided by the ESC, $9.50 per pupil for school districts located in Erie County and $6.50 for school districts located in Huron, Ottawa, and Sandusky Counties.

NOTE 6 - STATE FUNDING - (Continued)

Part (B) of the budget is funded in the following way: Simultaneously, $26.00 (if determined to high performing ESC) times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

NOTE 7 - CAPITAL ASSETS

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

	Balance 6/30/19	Additions	Deductions	Balance 6/30/20
Captial assets, not being depreciated:				
Land	$ 114,850	$ -	$ -	$ 114,850
Total capital assets, not being depreciated	114,850	-	-	114,850
Capital assets, being depreciated:				
Buildings and leaseholder improvements	1,682,983	-	-	1,682,983
Furniture and equipment	269,653	7,000	-	276,653
Vehicles	42,105	-	-	42,105
Total capital assets, being depreciated	1,994,741	7,000	-	2,001,741
Less: accumulated depreciation				
Buildings and leaseholder improvements	(223,200)	(98,192)	-	(321,392)
Furniture and equipment	(244,608)	(2,639)	-	(247,247)
Vehicles	(27,104)	-	-	(27,104)
Total accumulated depreciation	(494,912)	(100,831)	-	(595,743)
Governmental activities capital assets, net	$ 1,614,679	$ (93,831)	$ -	$ 1,520,848

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,680
Special	98,192
Support services:	
Instructional staff	472
Operations and maintenance	487
Total depreciation expense	$ 100,831

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NOTE 8 - LONG-TERM OBLIGATIONS

The ESC's long-term obligations at fiscal year-end consist of the following.

	Balance Outstanding 6/30/19	Additions	Reductions	Balance Outstanding 6/30/20	Amounts Due in One Year
Capital lease obligation	$ 7,016	$ -	$ (1,520)	$ 5,496	$ 1,597
Net pension liability	24,580,745	-	(497,427)	24,083,318	-
Net OPEB liability	3,387,037	-	(395,511)	2,991,526	-
Compensated absenses	1,242,675	-	(381,322)	861,353	178,698
Total	$ 29,217,473	$ -	$ (1,275,780)	$ 27,941,693	$ 180,295

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 15 for details.

Net Pension Liability: The ESC's net pension liability is described in Note 11. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The ESC's net OPEB liability is described in Note 12. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which is primarily the general fund.

NOTE 9 - OPERATING LEASES

A. The ESC entered into an operating lease agreement on September 26, 2018, with Valley Ford of Huron to lease a 2018 Ford Taurus. The term of the lease commenced November 16, 2018, and will end on November 13, 2021.

The ESC will pay Valley Ford of Huron payments in monthly installments each month during the term. The ESC made $4,485 in payments to Valley Ford of Huron during fiscal year 2020. A schedule of the future lease payment can be found below.

Fiscal year ending June 30,	Amount
2021	$ 4,485
2022	1,121
Total	$ 5,606

B. The ESC entered into an operating lease with Erie County for the period January 1, 2017 through July 31, 2022 for a building located at 4405 Galloway Road, Sandusky, Ohio 44870. The lease payments are $3,000 per month, which amounts to $36,000 for fiscal years 2020 through 2022 and $3,000 for fiscal year 2023.

NOTE 9 - OPERATING LEASES - (Continued)

C. The ESC entered into an operating lease with 4918 Milan Investments, Ltd. for the period October 1, 2017 through October 21, 2027 for a building located at 4918 Milan Road, Sandusky, Ohio 44870.

The ESC shall pay to 4918 Milan Investments, Ltd. payments in monthly installments on the first day of each month during the term. The ESC made $61,667 in payments to 4918 Milan Investments, Ltd. during fiscal year 2020. A schedule of the future lease payment can be found below.

Fiscal year ending June 30,	Amount
2021	$ 66,333
2022	68,333
2023	70,333
2024	71,000
2025	71,000
2026 - 2028	167,667
Total	$ 514,666

NOTE 10 - RISK MANAGEMENT

A. 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. During fiscal year 2020, the ESC has contracted with various insurance commercial carriers to provide insurance coverage for the following risks:

- Commercial property
- Inland marine
- Business liability
- Business personal property
- Business auto
- Education liability

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

B. Employee Health Benefits

The ESC provides employee health care benefits through the Huron-Erie School Employees Insurance Association.

The ESC has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of several school districts that provide public education within Erie and Huron Counties. The school districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

NOTE 10 - RISK MANAGEMENT - (Continued)

In the event of withdrawal, the ESC shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

C. Workers' Compensation Group Rating Plan

The ESC participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts than can meet the Plan's selection criteria. The firm of Spooner, Inc. provides administrative, cost control, assistance with safety programs and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The ESC's contractually required contribution to SERS was $486,676 for fiscal year 2020. Of this amount, $37,852 is reported as pension and postemployment benefits payable.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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.

NOTE 11 - 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 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 $1,161,172 for fiscal year 2020. Of this amount, $119,978 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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	0.12040340%	0.08043122%	
Proportion of the net pension liability current measurement date	0.11615970%	0.07747567%	
Change in proportionate share	-0.00424370%	-0.00295555%	
Proportionate share of the net pension liability	$ 6,950,039	$ 17,133,279	$ 24,083,318
Pension expense	$ 783,200	$ 1,922,880	$ 2,706,080

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	$ 176,238	$ 139,492	$ 315,730
Changes of assumptions	-	2,012,635	2,012,635
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	201,661	201,661
Contributions subsequent to the measurement date	486,676	1,161,172	1,647,848
Total deferred outflows of resources	$ 662,914	$ 3,514,960	$ 4,177,874

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 74,167	$ 74,167
Net difference between projected and actual earnings on pension plan investments	89,211	837,379	926,590
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	226,113	981,009	1,207,122
Total deferred inflows of resources	$ 315,324	$ 1,892,555	$ 2,207,879

$1,647,878 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	$ 16,185	$ 752,141	$ 768,326
2022	(199,928)	84,036	(115,892)
2023	(5,938)	(338,315)	(344,253)
2024	50,594	(36,629)	13,965
2025	1	-	1
Total	$ (139,086)	$ 461,233	$ 322,147

Actuarial Assumptions - SERS

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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 11 - 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	Current Discount Rate	1% Increase
ESC's proportionate share of the net pension liability	$ 9,739,489	$ 6,950,039	$ 4,610,735

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.

NOTE 11 - 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 %	

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

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

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

***Sensitivity of the 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	$25,038,378	$ 17,133,279	$10,441,207

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

The net OPEB liability/asset represents the 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/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.

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For 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 ESC's surcharge obligation was $68,655.

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 $68,655 for fiscal year 2020. Of this amount, $68,655 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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.

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.12208750%	0.08043122%	
Proportion of the net OPEB liability/asset current measurement date	0.11895730%	0.07747567%	
Change in proportionate share	-0.00313020%	-0.00295555%	
Proportionate share of the net OPEB liability	$ 2,991,526	$ -	$ 2,991,526
Proportionate share of the net OPEB asset	$ -	$ (1,283,183)	$ (1,283,183)
OPEB expense	$ 35,977	$ (389,300)	$ (353,323)

At June 30, 2020, 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	$ 43,912	$ 116,329	$ 160,241
Net difference between projected and actual earnings on OPEB plan investments	7,181	-	7,181
Changes of assumptions	218,497	26,973	245,470
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	68,031	68,031
Contributions subsequent to the measurement date	68,655	-	68,655
Total deferred outflows of resources	$ 338,245	$ 211,333	$ 549,578

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 657,218	$ 65,284	$ 722,502
Net difference between projected and actual earnings on OPEB plan investments	-	80,591	80,591
Changes of assumptions	167,637	1,406,861	1,574,498
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	239,067	61,910	300,977
Total deferred inflows of resources	$ 1,063,922	$ 1,614,646	$ 2,678,568

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

$68,655 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	$ (229,408)	$ (302,745)	$ (532,153)
2022	(136,797)	(302,743)	(439,540)
2023	(134,691)	(270,444)	(405,135)
2024	(135,035)	(259,117)	(394,152)
2025	(112,653)	(269,116)	(381,769)
Thereafter	(45,748)	852	(44,896)
Total	$ (794,332)	$ (1,403,313)	$ (2,197,645)

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.

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Sensitivity of the 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.

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 3,631,145	$ 2,991,526	$ 2,482,954

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB liability	$ 2,396,818	$ 2,991,526	$ 3,780,559

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

Sensitivity of the 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.

	1% Decrease	Current Discount Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 1,094,941	$ 1,283,183	$ 1,441,450

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 1,455,071	$ 1,283,183	$ 1,072,662

NOTE 13 - 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 ESC; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

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

C. Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the ESCs. These reviews are conducted to ensure the ESCs are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the final fiscal year 2020 FTE reviews, an immaterial intergovernmental receivable due from ODE was reported at June 30, 2020.

D. 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 continuing emergency measures may impact subsequent periods of the ESC. The investments of the pension and other employee benefit plan in which the ESC participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the ESC's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 14 - OTHER COMMITMENTS

The ESC utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end 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	$ 101,097
Nonmajor governmental funds	266
Total	$ 101,363

NOTE 15 - CAPITALIZED LEASE

During a prior fiscal year, the ESC entered into capitalized leases for a copier. The lease meets the criteria of a capital lease 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 basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been originally capitalized in the amount of $8,398, which represents the present value of the future minimum lease payments at the time of acquisition.

The capitalized asset acquired through capital leases are as follows:

Assets:	
Equipment (copier)	$ 8,398
Less: accumulated depreciation	(4,200)
Total	$ 4,198

Future payments are disclosed in the following table:

Fiscal Year Ending June 30,	Amount
2021	$ 1,836
2022	1,836
2023	1,836
2024	459
Total minimum lease payments	5,967
Less: amount representing interest	(471)
Total	$ 5,496

These amounts are reported as debt service payments of the general fund.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	0.11615970%	0.12040340%	0.12608550%	0.12765530%
ESC's proportionate share of the net pension liability	$ 6,950,039	$ 6,895,726	$ 7,533,330	$ 9,343,190
ESC's covered payroll	$ 3,977,296	$ 3,849,548	$ 4,171,793	$ 4,065,500
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	174.74%	179.13%	180.58%	229.82%
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
0.12878280%	0.15575100%	0.15575100%
$ 7,348,471	$ 7,862,469	$ 9,262,012
$ 3,877,033	$ 4,525,815	$ 3,664,689
189.54%	173.72%	252.74%
69.16%	71.70%	65.52%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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 liability	0.07747567%	0.08043122%	0.08194262%	0.07971647%
ESC's proportionate share of the net pension liability	$ 17,133,279	$ 17,685,019	$ 19,465,645	$ 26,683,505
ESC's covered payroll	$ 8,508,457	$ 8,515,871	$ 8,015,050	$ 7,765,879
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	201.37%	207.67%	242.86%	343.60%
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	
	0.08269208%		0.08659003%		0.08659003%
$	22,853,672	$	21,061,692	$	25,088,550
$	8,834,186	$	8,847,108	$	10,074,808
	258.70%		238.06%		249.02%
	72.10%		74.70%		69.30%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 486,676	$ 536,935	$ 519,689	$ 584,051
Contributions in relation to the contractually required contribution	(486,676)	(536,935)	(519,689)	(584,051)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,476,257	$ 3,977,296	$ 3,849,548	$ 4,171,793
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**	
$	569,170	$	510,993	$	627,278	$	507,193	$	476,531	$	489,475
	(569,170)		(510,993)		(627,278)		(507,193)		(476,531)		(489,475)
$	-	$	-	$	-	$	-	$	-	$	-
$	4,065,500	$	3,877,033	$	4,525,815	$	3,664,689	$	3,542,981	$	3,893,994
	14.00%		13.18%		13.86%		13.84%		13.45%		12.57%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 1,161,172	$ 1,191,184	$ 1,192,222	$ 1,122,107
Contributions in relation to the contractually required contribution	(1,161,172)	(1,191,184)	(1,192,222)	(1,122,107)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 8,294,086	$ 8,508,457	$ 8,515,871	$ 8,015,050
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
$ 1,087,223	$ 1,236,786	$ 1,150,124	$ 1,309,725	$ 1,258,968	$ 1,313,583
(1,087,223)	(1,236,786)	(1,150,124)	(1,309,725)	(1,258,968)	(1,313,583)
$ -	$ -	$ -	$ -	$ -	$ -
$ 7,765,879	$ 8,834,186	$ 8,847,108	$ 10,074,808	$ 9,684,369	$ 10,104,485
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	0.11895730%	0.12208750%	0.12804730%	0.12918577%
ESC's proportionate share of the net OPEB liability	$ 2,991,526	$ 3,387,037	$ 3,436,453	$ 3,682,272
ESC's covered payroll	$ 3,977,296	$ 3,849,548	$ 4,171,793	$ 4,065,500
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.22%	87.99%	82.37%	90.57%
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

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	0.07747567%	0.08043122%	0.08194262%	0.07971647%
ESC's proportionate share of the net OPEB liability/(asset)	$ (1,283,183)	$ (1,292,447)	$ 3,197,099	$ 4,263,258
ESC's covered payroll	$ 8,508,457	$ 8,515,871	$ 8,015,050	$ 7,765,879
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	15.08%	15.18%	39.89%	54.90%
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

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 68,655	$ 92,102	$ 84,931	$ 70,250
Contributions in relation to the contractually required contribution	(68,655)	(92,102)	(84,931)	(70,250)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,476,257	$ 3,977,296	$ 3,849,548	$ 4,171,793
Contributions as a percentage of covered payroll	1.97%	2.32%	2.21%	1.68%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016		2015		2014		2013		2012		2011	
$	64,601	$	105,534	$	78,195	$	64,857	$	83,331	$	144,973
	(64,601)		(105,534)		(78,195)		(64,857)		(83,331)		(144,973)
$	-	$	-	$	-	$	-	$	-	$	-
$	4,065,500	$	3,877,033	$	4,525,815	$	3,664,689	$	3,542,981	$	3,893,994
	1.59%		2.72%		1.73%		1.77%		2.35%		3.72%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 8,294,086	$ 8,508,457	$ 8,515,871	$ 8,015,050
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	
$	-	$	-	$	88,471	$	100,748	$	96,884	$	101,045
	-		-		(88,471)		(100,748)		(96,884)		(101,045)
$	-	$	-	$	-	$	-	$	-	$	-
$	7,765,879	$	8,834,186	$	8,847,108	$	10,074,808	$	9,684,369	$	10,104,485
	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% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Tuition	$ 15,774,715	$ 14,599,715	$ 14,444,647	$ (155,068)
Earnings on investments	99,000	99,000	61,065	(37,935)
Rental income	2,500	2,500	3,080	580
Contract services	403,000	328,000	442,721	114,721
Other local revenues	45,000	45,000	74,725	29,725
Intergovernmental - state	972,785	772,785	992,755	219,970
Total revenues	17,297,000	15,847,000	16,018,993	171,993
Expenditures:				
Current:				
Instruction:				
Regular	996,971	954,732	830,968	123,764
Special	8,669,065	7,418,034	6,728,224	689,810
Support services:				
Pupil	6,105,758	6,081,180	5,199,217	881,963
Instructional staff	3,910,008	3,466,613	2,695,676	770,937
Board of education	132,821	160,175	58,431	101,744
Administration	1,009,848	966,153	738,314	227,839
Fiscal	655,996	647,000	392,337	254,663
Operations and maintenance	1,081,144	1,080,929	679,539	401,390
Central	146,205	165,329	128,398	36,931
Total expenditures	22,707,816	20,940,145	17,451,104	3,489,041
Excess of expenditures over revenues	(5,410,816)	(5,093,145)	(1,432,111)	3,661,034
Other financing sources:				
Refund of prior year's expenditures	75,000	75,000	112,139	37,139
Net change in fund balance	(5,335,816)	(5,018,145)	(1,319,972)	3,698,173
Fund balance at beginning of year	5,232,845	5,232,845	5,232,845	-
Prior year encumbrances appropriated	102,972	102,972	102,972	-
Fund balance at end of year	$ 1	$ 317,672	$ 4,015,845	$ 3,698,173

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETARY PROCESS

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The ESC's Board of Education budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as both the original budgeted amounts and the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time the final appropriations were passed by the Board.

The ESC's Board of Education adopts an annual appropriations resolution, which is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Education. The level of control has been established by the Board of Education at the fund and function level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within each fund.

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 reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including encumbered amount automatically carried forward from the prior fiscal years. The amounts reported as final budgeted amounts on the budgetary schedule represent the final appropriation amounts passed by the Board of Education during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

(c) In order 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); and

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted 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 is as follows:

Net Change in Fund Balance

	General fund
Budget basis	$ (1,319,972)
Net adjustment for revenue accruals	163,421
Net adjustment for expenditure accruals	472,431
Net adjustment for other sources and uses	(112,139)
Funds budgeted elsewhere	10,999
Adjustment for encumbrances	122,020
GAAP basis	$ (663,240)

Certain funds that are budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund and the special rotary fund.

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

The management's discussion and analysis of the North Point 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 $2,071,696 which represents a 9.18% increase from the net position at June 30, 2018.

- General revenues accounted for $1,144,934 or 6.37% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, and capital grants and contributions accounted for $16,842,139 or 93.63% of total revenues of $17,987,073.

- The ESC had $15,915,377 in expenses related to governmental activities; $16,842,139 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,144,934 were adequate to help provide for these programs.

- The general fund and the permanent improvement fund are the ESC's two major governmental funds. The general fund had $17,437,177 in revenues and $18,516,507 in expenditures. During fiscal year 2019, the general fund's fund balance decreased $1,079,330 from $4,635,230 to a balance of $3,555,900.

- The permanent improvement fund had $15,641 in revenues. During fiscal year 2019, the permanent improvement fund's fund balance increased $15,641 from $703,898 to a balance of $719,539.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader may understand the ESC as a financial whole, an entire operating entity. The statements 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 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 permanent improvement fund are the only two 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 the ESC perform financially during 2019?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's net position and changes in net position. The ESC's 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 and required educational programs, among others.

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.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

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 two major governmental funds are the general fund and the permanent improvement 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.

Reporting the ESC's Fiduciary Responsibilities

The ESC is the fiscal agent of the Northern Ohio Educational Computer Association (NOECA), a computer consortium, Bay Area Council of Governments, and the Huron-Erie School Employees Insurance Association. NOECA, Bay Area Council of Governments, and Huron-Erie School Employees Insurance Association are presented as agency funds. All of the ESC's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the ESC's other financial statements because these resources 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.

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.

Budgetary Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information.

The ESC as a Whole

The table below provides a summary of the ESC's net position at June 30, 2019 and 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current and other assets	$ 7,748,889	$ 7,368,454
Capital assets, net	1,614,679	1,716,134
Total assets	9,363,568	9,084,588
Deferred Outflows of Resources		
Pension	6,106,865	7,838,018
OPEB	383,389	371,535
Total deferred outflows of resources	6,490,254	8,209,553
Liabilities		
Current liabilities	1,994,005	1,898,588
Long-term liabilities:		
Due within one year	290,124	204,958
Due in more than one year:		
Net pension liability	24,580,745	26,998,975
Net OPEB liability	3,387,037	6,633,552
Other amounts	959,567	1,054,147
Total liabilities	31,211,478	36,790,220
Deferred Inflows of Resources		
Pension	2,581,211	2,299,868
OPEB	2,548,110	762,726
Total deferred inflows of resources	5,129,321	3,062,594
Net Position		
Net investment in capital assets	1,607,663	1,707,736
Restricted	36,470	3,991
Unrestricted (deficit)	(22,131,110)	(24,270,400)
Total net position (deficit)	$ (20,486,977)	$ (22,558,673)

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.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP 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 $20,486,977. Of this total, $36,470 is restricted in use.

At fiscal year-end, capital assets represented 17.24% of total assets. Capital assets include land, buildings and leaseholder improvements, furniture and equipment and vehicles. The ESC's net investment in capital assets at June 30, 2019, was $1,607,663. These capital assets are used to provide the ESC's services, thus net position invested in capital assets equal to the carrying value of assets is not available for future spending.

Deferred outflows related to pension decreased primarily due to changes in assumptions by STRS. See Note 11 for more detail.

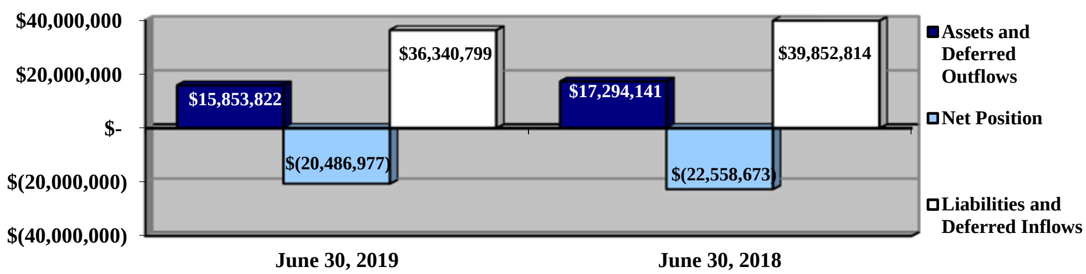
Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the ESC. The ESC contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to ESC employees, not the ESC.

Deferred inflows related to OPEB increased primarily due to changes in assumptions by STRS. See Note 12 for more detail.

A portion of the ESC's net position, $36,470, represents resources that are subject to external restriction on how these resources may be used. The remaining balance of unrestricted net position is a deficit of $22,131,110.

The graph that follows illustrates the governmental activities assets and deferred outflows, liabilities and deferred inflows and net position at June 30, 2019 and 2018.

Governmental Activities



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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	$ 16,201,130	$ 16,858,096
Operating grants and contributions	625,368	579,480
Capital grants and contributions	15,641	9,611
General revenues:		
Grants and entitlements	974,070	1,043,490
Investment earnings	111,796	68,253
Miscellaneous	59,068	50,646
Total revenues	17,987,073	18,609,576
Expenses		
Program expenses:		
Instruction:		
Regular	795,624	283,736
Special	6,796,467	3,484,448
Support services:		
Pupil	4,115,046	1,615,080
Instructional staff	2,365,930	1,163,249
Board of education	84,542	27,288
Administration	596,555	276,531
Fiscal	401,425	170,006
Business	1,061	1,795
Operations and maintenance	608,839	435,437
Central	75,587	61,947
Operation of non-instructional services	52,092	56,783
Extracurricular activities	21,755	10,628
Interest and fiscal charges	454	-
Total expenses	15,915,377	7,586,928
Change in net position	2,071,696	11,022,648
Net position (deficit) at beginning of year	(22,558,673)	(33,581,321)
Net position (deficit) at end of year	$ (20,486,977)	$ (22,558,673)

Governmental Activities

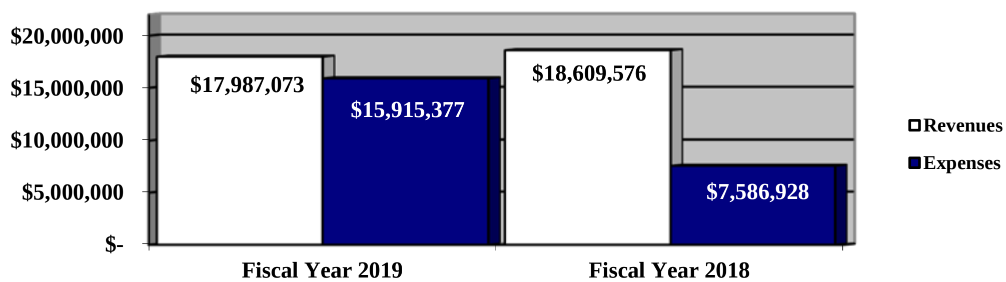
Net position of the ESC's governmental activities increased $2,071,696. Total governmental expenses of $15,915,377 were offset by program revenues of $16,842,139 and general revenues of $1,144,934. Program revenues supported 105.82% of the total governmental expenses.

Total revenues of the ESC decreased $622,503 or 3.35%. The primary sources of revenue for governmental activities are derived from sales and charges for services provided to other entities. This revenue source represents 90.07% of total governmental revenue.

Overall, expenses of the governmental activities increased $8,328,449 or 109.77%. On an accrual basis, the ESC reported $1,322,385 and ($8,471,354) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the ESC reported ($2,673,330) and ($765,606) 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 $7,886,015. 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



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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.

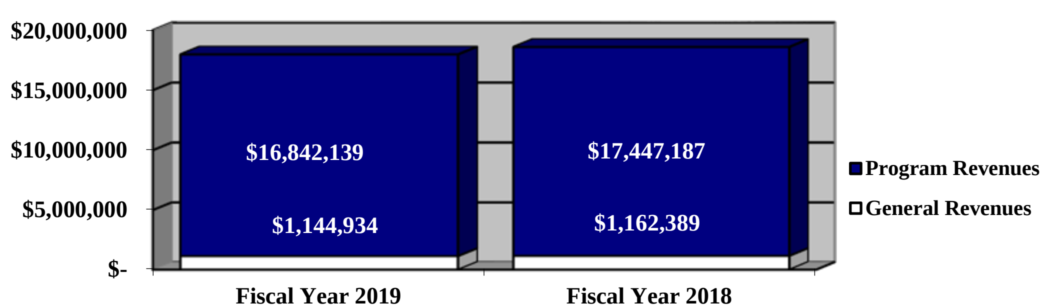
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	$ 795,624	$ (27,319)	$ 283,736	$ (563,306)
Special	6,796,467	(224,589)	3,484,448	(3,693,165)
Support services:				
Pupil	4,115,046	(556,395)	1,615,080	(3,192,913)
Instructional staff	2,365,930	(201,021)	1,163,249	(1,700,128)
Board of education	84,542	4,989	27,288	(20,337)
Administration	596,555	2,056	276,531	(339,583)
Fiscal	401,425	(21,785)	170,006	(211,588)
Business	1,061	(136)	1,795	(1,742)
Operations and maintenance	608,839	114,384	435,437	(87,151)
Central	75,587	(13,044)	61,947	(34,146)
Operation of non-instructional services	52,092	(1,197)	56,783	(2,539)
Extracurricular activities	21,755	(3,159)	10,628	(13,661)
Interest and fiscal charges	454	454	-	-
Total expenses	$ 15,915,377	$ (926,762)	$ 7,586,928	$ (9,860,259)

For all governmental activities, program revenue support is 105.82%. 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 reported a combined fund balance of $4,311,909, which is lower than last year's balance of $5,343,119. The schedule below indicates the fund balances and the total change in fund balance during the fiscal years ended June 30, 2019 and June 30, 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change
General	$ 3,555,900	$ 4,635,230	$ (1,079,330)
Permanent improvement	719,539	703,898	15,641
Nonmajor governmental	36,470	3,991	32,479
Total	$ 4,311,909	$ 5,343,119	$ (1,031,210)

General Fund

The ESC's general fund balance decreased by $1,079,330. Overall revenues decreased by 3.54%. Tuition decreased from $16,448,209 to $15,746,883 or 4.26% due to the ESC providing services to less students in the north central Ohio area as enrollment declines. Additionally, earnings on investments increased $41,484 or 59.00% due to the ESC receiving better returns on investments in STAR Plus.

Expenditures in the general fund increased $571,275 or 3.18% from fiscal year 2018. Debt service expenditures increased $1,836 or 100.00%. This increase was due to the ESC beginning to make payments on a capital lease. Instructional expenditures increased $445,308 or 5.57% primarily due to increased preschool special education program expenditures.

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

	2019 Amount	2018 Amount	Change	Percentage Change
Revenues				
Tuition	$ 15,746,883	$ 16,448,209	$ (701,326)	(4.26) %
Contract services	527,853	433,082	94,771	21.88 %
Earnings on investments	111,796	70,312	41,484	59.00 %
Intergovernmental	974,070	1,043,490	(69,420)	(6.65) %
Other revenues	76,575	82,526	(5,951)	(7.21) %
Total	$ 17,437,177	$ 18,077,619	$ (640,442)	(3.54) %
Expenditures				
Instruction	$ 8,446,982	$ 8,001,674	$ 445,308	5.57 %
Support services	10,027,811	9,895,394	132,417	1.34 %
Operation of non-instructional services	14,709	16,000	(1,291)	(8.07) %
Extracurricular activities	25,169	23,766	1,403	5.90 %
Capital outlay	-	8,398	(8,398)	(100.00) %
Debt service	1,836	-	1,836	100.00 %
Total	$ 18,516,507	$ 17,945,232	$ 571,275	3.18 %

Permanent Improvement Fund

The ESC's permanent improvement fund balance increased by $15,641. The fund's increase was due to earnings on investments of $15,641.

Capital Assets

At the end of fiscal year 2019, the ESC had $1,614,679 invested in land, buildings and leaseholder improvements, furniture and equipment, and vehicles. This entire amount is reported among the ESC's 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	$ 114,850	$ 114,850
Buildings and leaseholder improvements	1,459,783	1,557,975
Furniture and equipment	25,045	28,308
Vehicles	15,001	15,001
Total	$ 1,614,679	$ 1,716,134

The overall decrease in the ESC's capital assets, net of accumulated depreciation, of $101,455 is attributable to current year depreciation. No capital asset additions were recorded during fiscal year 2019.

See Note 7 to the basic financial statements for additional information to the ESC's capital assets.

Long-Term Obligations

The long-term liabilities for the ESC's governmental activities are for compensated absences, net pension liability, net OPEB liability, and a capital lease. See Notes 8, 11, 12, and 15 to the basic financial statements for detail.

Current Financial Related Activities

The ESC relies heavily on contracts with local, city and exempted village school Districts in a five-county area, State foundation revenue and grants. The ESC also looks to expand services, providing fiscal, administrative and other services to entities. Currently some of those entities are the Northern Ohio Educational Computer Association, Bay Area Gas Consortium, and the Huron-Erie School Employees Insurance Consortium. These new contracts and expanded services along with the ESC's cash balance will provide the necessary funds to meet operating expenses in the future.

One challenge that is being faced by Educational Service Centers is the legislation regarding how Districts are "tied" to an ESC. The supervisory allowance, gifted funding and preschool funding have been deleted or altered in some way. These changes have led the ESC to bill differently for these programs. What effect this legislation will have on future State funding and on ESC financial operations is uncertain at this time. Uncertainty with the State biennial budget and future budget cuts are also a concern.

Another challenge facing the North Point Educational Service Center is the declining enrollment in the north central Ohio area over the past few years, and the projected decline in the future. State foundation funding is based on the average daily membership of the school districts in the counties, so the decline will directly impact State funding.

Contacting the ESC's Financial Management

This financial report is designed to provide local school districts, citizens, creditors, and other interested parties 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. Matt Bauer, Treasurer, North Point ESC, 4918 Milan Road, Sandusky, Ohio or by calling (419) 627-3901.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 6,126,817
Receivables:	
Accounts	10,691
Intergovernmental	311,348
Prepayments	7,586
Net OPEB asset	1,292,447
Capital assets:	
Nondepreciable capital assets	114,850
Depreciable capital assets, net	1,499,829
Capital assets, net	1,614,679
Total assets	9,363,568
Deferred outflows of resources:	
Pension	6,106,865
OPEB	383,389
Total deferred outflows of resources	6,490,254
Liabilities:	
Accounts payable	4,955
Accrued wages and benefits payable	1,695,337
Intergovernmental payable	21,765
Pension and postemployment benefits payable	271,948
Long-term liabilities:	
Due within one year	290,124
Due in more than one year:	
Net pension liability	24,580,745
Net OPEB liability	3,387,037
Other amounts due in more than one year	959,567
Total liabilities	31,211,478
Deferred inflows of resources:	
Pension	2,581,211
OPEB	2,548,110
Total deferred inflows of resources	5,129,321
Net position:	
Net investment in capital assets	1,607,663
Restricted for:	
Permanent fund - nonexpendable	2,645
Locally funded programs	33,825
Unrestricted (deficit)	(22,131,110)
Total net position (deficit)	$ (20,486,977)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction:					
Regular	$ 795,624	$ 755,251	$ 67,692	$ -	$ 27,319
Special	6,796,467	6,704,479	316,577	-	224,589
Support services:					
Pupil	4,115,046	4,642,550	28,891	-	556,395
Instructional staff	2,365,930	2,442,187	124,764	-	201,021
Board of education	84,542	79,553	-	-	(4,989)
Administration	596,555	585,499	9,000	-	(2,056)
Fiscal	401,425	408,810	14,400	-	21,785
Business	1,061	-	1,197	-	136
Operations and maintenance	608,839	478,814	-	15,641	(114,384)
Central	75,587	88,631	-	-	13,044
Operation of non-instructional services	52,092	5,747	47,542	-	1,197
Extracurricular activities	21,755	9,609	15,305	-	3,159
Interest and fiscal charges	454	-	-	-	(454)
Total governmental activities	$ 15,915,377	$ 16,201,130	$ 625,368	$ 15,641	926,762

General revenues:	
Grants and entitlements not restricted to specific programs	974,070
Investment earnings	111,796
Miscellaneous	59,068
Total general revenues	1,144,934
Change in net position	2,071,696
Net position (deficit) at beginning of year	(22,558,673)
Net position (deficit) at end of year	$ (20,486,977)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	$ 5,370,808	$ 719,539	$ 36,470	$ 6,126,817
Receivables:				
Accounts	10,691	-	-	10,691
Intergovernmental	311,348	-	-	311,348
Prepayments	7,586	-	-	7,586
Total assets	$ 5,700,433	$ 719,539	$ 36,470	$ 6,456,442
Liabilities:				
Accounts payable	$ 4,955	$ -	$ -	$ 4,955
Accrued wages and benefits payable	1,695,337	-	-	1,695,337
Compensated absences payable	127,424	-	-	127,424
Intergovernmental payable	21,765	-	-	21,765
Pension and postemployment benefits payable	271,948	-	-	271,948
Total liabilities	2,121,429	-	-	2,121,429
Deferred inflows of resources:				
Intergovernmental revenue not available	2,855	-	-	2,855
Contract services not available	892	-	-	892
Tuition revenue not available	19,357	-	-	19,357
Total deferred inflows of resources	23,104	-	-	23,104
Fund balances:				
Nonspendable:				
Prepaids	7,586	-	-	7,586
Permanent fund	-	-	2,645	2,645
Restricted:				
Other purposes	-	-	33,825	33,825
Committed:				
Capital improvements	-	719,539	-	719,539
Assigned:				
Student instruction	14,816	-	-	14,816
Student and staff support	87,050	-	-	87,050
Subsequent year's appropriations	3,411,698	-	-	3,411,698
Other purposes	34,750	-	-	34,750
Total fund balances	3,555,900	719,539	36,470	4,311,909
Total liabilities, deferred inflows and fund balances	$ 5,700,433	$ 719,539	$ 36,470	$ 6,456,442

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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

Total governmental fund balances		$ 4,311,909
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,614,679
Other long-term assets, such as accounts receivable are not available available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Tuition revenue receivable	$ 19,357	
Contract services receivable	892	
Intergovernmental receivable	2,855	
Total		23,104
Long-term liabilities, such as compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligations	(7,016)	
Compensated absences	(1,115,251)	
Total		(1,122,267)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - Pension	6,106,865	
Deferred Inflows - Pension	(2,581,211)	
Net pension liability	(24,580,745)	
Total		(21,055,091)
The net pension OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows - OPEB	383,389	
Deferred Inflows - OPEB	(2,548,110)	
Net OPEB asset	1,292,447	
Net OPEB liability	(3,387,037)	
Total		(4,259,311)
Net position (deficit) of governmental activities		$ (20,486,977)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

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

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Tuition	$ 15,746,883	$ -	$ -	$ 15,746,883
Earnings on investments	111,796	15,641	-	127,437
Extracurricular	3,030	-	-	3,030
Rental income	2,847	-	-	2,847
Contributions and donations	12,550	-	-	12,550
Contract services	527,853	-	-	527,853
Other local revenues	58,148	-	-	58,148
Intergovernmental - intermediate	-	-	46,425	46,425
Intergovernmental - state	974,070	-	448,404	1,422,474
Intergovernmental - federal	-	-	106,289	106,289
Total revenues	17,437,177	15,641	601,118	18,053,936
Expenditures:				
Current:				
Instruction:				
Regular	852,766	-	67,692	920,458
Special	7,594,216	-	316,575	7,910,791
Support services:				
Pupil	5,233,488	-	29,604	5,263,092
Instructional staff	2,759,052	-	91,545	2,850,597
Board of education	88,920	-	-	88,920
Administration	736,593	-	9,000	745,593
Fiscal	465,813	-	14,400	480,213
Business	-	-	1,226	1,226
Operations and maintenance	666,366	-	-	666,366
Central	77,579	-	-	77,579
Operation of non-instructional services	14,709	-	38,597	53,306
Extracurricular activities	25,169	-	-	25,169
Debt service:				
Principal retirement	1,382	-	-	1,382
Interest and fiscal charges	454	-	-	454
Total expenditures	18,516,507	-	568,639	19,085,146
Net change in fund balances	(1,079,330)	15,641	32,479	(1,031,210)
Fund balances at beginning of year	4,635,230	703,898	3,991	5,343,119
Fund balances at end of year	$ 3,555,900	$ 719,539	$ 36,470	$ 4,311,909

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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		$ (1,031,210)
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.		(101,455)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition	$ (63,904)	
Contract services	(3,879)	
Intergovernmental	920	
Total		(66,863)
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.		1,382
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 the governmental funds.		
Decrease in compensated absences		98,676
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,728,119
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,322,385)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		92,102
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as pension expense in the statement of activities.		2,673,330
Change in net position of governmental activities		$ 2,071,696

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency
Assets:	
Equity in pooled cash and investments . . .	$ 19,848,185
Liabilities:	
Due to other governments.	$ 19,848,185

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ESC

The North Point 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 an Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Governing Board of Education (eleven members) and is responsible for the provision of public education to residents of the local school districts that it services.

The ESC is the result of the July 1, 1997, merger of the Erie County Educational Service Center and the Ottawa County Educational Service Center, the July 1, 1999, merger of the Erie-Ottawa Educational Service Center and the Huron County Educational Service Center, and the July 1, 2008 merger of the Erie-Huron-Ottawa Educational Service Center and the Sandusky County Educational Service Center, under the authority of the Ohio Revised Code Section 3311.053 and 3311.054 and resolutions made by the Governing Boards.

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.

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).

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments
The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of numerous school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the ESC is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. The ESC serves as fiscal agent for BACG. Financial activity for fiscal year 2019 is reported in the basic financial statements as an agency fund. The ESC paid BACG $3,977 in fiscal year 2019 for its services.

Northern Ohio Educational Computer Association
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of numerous public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees and a representative from the fiscal agent. The ESC serves as fiscal agent for NOECA. Financial activity for 2019 is reported in the basic financial statements as an agency fund. The ESC paid NOECA $83,060 in fiscal year 2019 for its services.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
The ESC participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association
The Huron-Erie School Employees Insurance Association (the Association) is a public entity risk pool comprised of numerous districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. On January 1, 2006, the ESC became fiscal agent for the Association. Financial activity for fiscal year 2019 is reported in the basic financial statements as an agency fund.

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

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. The ESC does not have any proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus 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.
>
> *Permanent improvement fund* – The permanent improvement fund is used to account for the acquisition, construction, or improvement of capital facilities.

Other 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.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The ESC did not have any trust funds. 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 for other organizations and individuals.

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

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

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

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on the major funds rather than reporting by fund type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

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

Under the modified accrual basis, tuition, interest revenue, revenue from services provided to other entities, intergovernmental revenue and miscellaneous revenues are considered to be both measurable and available at fiscal year end.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the ESC, See Notes 11 and 12 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, but is not limited to, intergovernmental grants, accrued interest, miscellaneous revenue, contract services, and tuition revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the ESC, See Notes 11 and 12 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. 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 investments" on the financial statements.

During fiscal year 2019, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

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

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to $111,796, which includes $0 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 fiscal year end is provided in Note 4.

F. 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 value as of the date received. The ESC's capitalization threshold is $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 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 and leaseholder improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

G. 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 severance 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.

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.

H. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, compensated absences and net pension/OPEB liability 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.

I. 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 in the general fund.

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.

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

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.

J. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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.

K. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the funds balance is nonspendable on the fund financial statements by an amount equal to the carrying amount of the asset.

L. 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.

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

M. Interfund Activity

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

N. 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.

O. 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 statement of the ESC.

NOTE 4 - DEPOSITS 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 investments" on the basic financial statements. Statutes require the classification of monies held by the ESC into three categories, as follows.

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 Governing 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 debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 institution's 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. 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 on Hand

At fiscal year end, the ESC had $43 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all ESC deposits was $8,892,628, and the bank balance of all ESC deposits was $8,721,268. None of the bank balance was exposed to custodial risk as discussed below.

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 institutions did not participate in 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.

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2019, the ESC had the following investments and maturities:

Investment/Measurement type	Measurement Value	Investment Maturity 6 months or less
Amortized cost:		
STAR Ohio	$ 17,082,331	$ 17,082,331

Credit Risk is the possibility that an issuer or other counter party to an investment will not fulfill its obligation. The ESC's investments in STAR Ohio were assigned an AAAm money market rating by Standard & Poor's. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to only invest in securities authorized by State statute.

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

Investment/Measurement type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 17,082,331	100.00

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

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

Cash and cash equivalents per note	
Carrying amount of deposits	$ 8,892,628
Investments	17,082,331
Cash on hand	43
Total	$ 25,975,002
Cash and cash equivalents per statement of net position	
Governmental activities	$ 6,126,817
Agency funds	19,848,185
Total	$ 25,975,002

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019 consisted of accounts (charges for individual tuition and other services) and intergovernmental (grants and billings to school districts for user charged services). 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:	
Accounts	$ 10,691
Intergovernmental	311,348
Total	$ 322,039

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 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

The local school districts to which belong to the ESC agree to pay a per pupil amount to provide additional funding for services provided by the ESC, $9.50 per pupil for school districts located in Erie County and $6.50 for school districts located in Huron, Ottawa, and Sandusky Counties.

Part (B) of the budget is funded in the following way: Simultaneously, $26.00 (if determined to high performing ESC) times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

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NOTE 7 - CAPITAL ASSETS

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

	Balance 6/30/18	Additions	Deductions	Balance 6/30/19
Captial assets, not being depreciated:				
Land	$ 114,850	$ -	$ -	$ 114,850
Capital assets, being depreciated:				
Buildings and leaseholder improvements	1,682,983	-	-	1,682,983
Furniture and equipment	269,653	-	-	269,653
Vehicles	42,105	-	-	42,105
Total capital assets, being depreciated	1,994,741	-	-	1,994,741
Less: accumulated depreciation				
Buildings and leaseholder improvements	(125,008)	(98,192)	-	(223,200)
Furniture and equipment	(241,345)	(3,263)	-	(244,608)
Vehicles	(27,104)	-	-	(27,104)
Total accumulated depreciation	(393,457)	(101,455)	-	(494,912)
Governmental activities capital assets, net	$ 1,716,134	$ (101,455)	$ -	$ 1,614,679

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,680
Special	98,192
Support services:	
Instructional staff	1,188
Operations and maintenance	395
Total depreciation expense	$ 101,455

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NOTE 8 - LONG-TERM OBLIGATIONS

The ESC's long-term obligations at fiscal year-end consist of the following.

	Balance Outstanding 6/30/18	Additions	Reductions	Balance Outstanding 6/30/19	Amounts Due in One Year
Capital lease obligation	$ 8,398	$ -	$ (1,382)	$ 7,016	$ 1,520
Net pension liability	26,998,975	-	(2,418,230)	24,580,745	-
Net OPEB liability	6,633,552	-	(3,246,515)	3,387,037	-
Compensated absenses	1,250,707	255,243	(263,275)	1,242,675	288,604
Total	$ 34,891,632	$ 255,243	$ (5,929,402)	$ 29,217,473	$ 290,124

Capital Lease Obligation: Capital lease obligations will be paid from the general fund. See Note 15 for details.

Net Pension Liability: The ESC's net pension liability is described in Note 11. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The ESC's net OPEB liability is described in Note 12. The ESC pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which is primarily the general fund.

NOTE 9 - OPERATING LEASES

A. The ESC entered into an operating lease agreement on November 13, 2015, with Artino Ford to lease a 2015 Ford Escape. The term of the lease commenced November 13, 2015, and ended on November 13, 2018.

The ESC paid Artino Ford payments in monthly installments on the first day of each month during the term. The ESC made $1,004 in payments to Artino Ford during fiscal year 2019.

B. The ESC entered into an operating lease agreement on September 26, 2018, with Valley Ford of Huron to lease a 2018 Ford Taurus. The term of the lease commenced November 16, 2018, and will end on November 13, 2021.

The ESC will pay Valley Ford of Huron payments in monthly installments each month during the term. The ESC made $3,364 in payments to Valley Ford of Huron during fiscal year 2019. A schedule of the future lease payment can be found below.

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NOTE 9 - OPERATING LEASES - (Continued)

Fiscal year ending June 30,	Amount
2020	$ 4,485
2021	4,485
2022	1,121
Total	$ 10,091

C. The ESC entered into an operating lease with Erie County for the period January 1, 2017 through July 31, 2022 for a building located at 4405 Galloway Road, Sandusky, Ohio 44870. The lease payments are $3,000 per month, which amounts to $36,000 for fiscal years 2020 through 2022 and $3,000 for fiscal year 2023.

D. The ESC entered into an operating lease with 4918 Milan Investments, Ltd. for the period October 1, 2017 through October 21, 2027 for a building located at 4918 Milan Road, Sandusky, Ohio 44870.

The ESC shall pay to 4918 Milan Investments, Ltd. payments in monthly installments on the first day of each month during the term. The ESC made $53,333 in payments to 4918 Milan Investments, Ltd. during fiscal year 2019. A schedule of the future lease payment can be found below.

Fiscal year ending June 30,	Amount
2020	$ 61,667
2021	66,333
2022	68,333
2023	70,333
2024	71,000
2025 - 2028	238,667
Total	$ 576,333

NOTE 10 - RISK MANAGEMENT

A. 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. During fiscal year 2019, the ESC has contracted with various insurance commercial carriers to provide insurance coverage for the following risks:

- Commercial property
- Inland marine
- Business liability
- Business personal property
- Business auto
- Education liability

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

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Employee Health Benefits

The ESC provides employee health care benefits through the Huron-Erie School Employees Insurance Association.

The ESC has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of various school districts that provide public education within Erie and Huron Counties. The school districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the ESC shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

C. Workers' Compensation Group Rating Plan

The ESC participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts than can meet the Plan's selection criteria. The firm of Sheakley UniServe, Inc. provides administrative, cost control, assistance with safety programs and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 $536,935 for fiscal year 2019. Of this amount, $37,777 is reported as pension and postemployment benefits payable.

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 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 $1,191,184 for fiscal year 2019. Of this amount, $132,021 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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	0.12608550%	0.08194262%	
Proportion of the net pension liability current measurement date	0.12040340%	0.08043122%	
Change in proportionate share	-0.00568210%	-0.00151140%	
Proportionate share of the net pension liability	$ 6,895,726	$ 17,685,019	$ 24,580,745
Pension expense	$ 35,219	$ 1,287,166	$ 1,322,385

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	$ 378,187	$ 408,226	$ 786,413
Changes of assumptions	155,721	3,134,120	3,289,841
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	302,492	302,492
Contributions subsequent to the measurement date	536,935	1,191,184	1,728,119
Total deferred outflows of resources	$ 1,070,843	$ 5,036,022	$ 6,106,865
Deferred inflows of resources			

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 115,494	$ 115,494
Net difference between projected and actual earnings on pension plan investments	191,059	1,072,400	1,263,459
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	289,983	912,275	1,202,258
Total deferred inflows of resources	$ 481,042	$ 2,100,169	$ 2,581,211

$1,728,119 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	$ 302,164	$ 1,105,088	$ 1,407,252
2021	35,599	825,199	860,798
2022	(226,299)	124,496	(101,803)
2023	(58,598)	(310,114)	(368,712)
Total	$ 52,866	$ 1,744,669	$ 1,797,535

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Sensitivity of the 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	$ 9,713,150	$ 6,895,726	$ 4,533,504

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	$ 25,826,643	$ 17,685,019	$ 10,794,240

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

The net OPEB liability/asset represents the 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 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 $72,216.

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 $92,102 for fiscal year 2019. Of this amount, $73,615 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 12 - 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.

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	0.12804730%	0.08194262%	
Proportion of the net OPEB liability/asset current measurement date	0.12208750%	0.08043122%	
Change in proportionate share	-0.00595980%	-0.00151140%	
Proportionate share of the net OPEB liability	$ 3,387,037	$ -	$ 3,387,037
Proportionate share of the net OPEB asset	$ -	$ (1,292,447)	$ (1,292,447)
OPEB expense	$ 121,923	$ (2,795,253)	$ (2,673,330)

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	$ 55,288	$ 150,960	$ 206,248
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	85,039	85,039
Contributions subsequent to the measurement date	92,102	-	92,102
Total deferred outflows of resources	$ 147,390	$ 235,999	$ 383,389

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 75,303	$ 75,303
Net difference between projected and actual earnings on pension plan investments	5,082	147,651	152,733
Changes of assumptions	304,300	1,761,063	2,065,363
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	200,852	53,859	254,711
Total deferred inflows of resources	$ 510,234	$ 2,037,876	$ 2,548,110

$92,102 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:			
2020	$ (169,125)	$ (320,155)	$ (489,280)
2021	(139,188)	(320,155)	(459,343)
2022	(44,384)	(320,154)	(364,538)
2023	(42,222)	(286,622)	(328,844)
2024	(42,573)	(274,861)	(317,434)
Thereafter	(17,454)	(279,930)	(297,384)
Total	$ (454,946)	$ (1,801,877)	$ (2,256,823)

Actuarial Assumptions - SERS

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 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.

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 %	

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 (6.5% decreasing to 3.75%) and higher (8.5% 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	$ 4,109,903	$ 3,387,037	$ 2,814,662

	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
ESC's proportionate share of the net OPEB liability	$ 2,732,718	$ 3,387,037	$ 4,253,473

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 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.

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

*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.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
ESC's proportionate share of the net OPEB asset	$ 1,107,749	$ 1,292,447	$ 1,447,678

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB asset	$ 1,438,915	$ 1,292,447	$ 1,143,698

NOTE 13 - 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 ESC; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

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

C. Foundation Funding

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the ESCs. These reviews are conducted to ensure the ESCs are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. As a result of the final fiscal year 2019 FTE reviews, an immaterial intergovernmental receivable due from ODE was reported at June 30, 2019.

NOTE 14 - OTHER COMMITMENTS

The ESC utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end 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	$ 106,416

NOTE 15 - CAPITALIZED LEASE

During a prior fiscal year, the ESC entered into capitalized leases for a copier. The lease meets the criteria of a capital lease 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 basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been originally capitalized in the amount of $8,398, which represents the present value of the future minimum lease payments at the time of acquisition.

The capitalized asset acquired through capital leases are as follows:

Assets:	
Equipment (copier)	$ 8,398
Less: accumulated depreciation	(2,520)
Total	$ 5,878

NOTE 15 - CAPITALIZED LEASE - (Continued)

Future payments are disclosed in the following table:

Fiscal Year Ending June 30,	Amount
2020	$ 1,836
2021	1,836
2022	1,836
2023	1,836
2024	459
Total minimum lease payments	7,803
Less: amount representing interest	(787)
Total	$ 7,016

These amounts are reported as debt service payments of the general fund.

NOTE 16 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the ESC. The investments of the pension and other employee benefit plan in which the ESC participates have incurred 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, and due to market volatility, 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.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	0.12040340%	0.12608550%	0.12765530%	0.12878280%
ESC's proportionate share of the net pension liability	$ 6,895,726	$ 7,533,330	$ 9,343,190	$ 7,348,471
ESC's covered payroll	$ 3,849,548	$ 4,171,793	$ 4,065,500	$ 3,877,033
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	179.13%	180.58%	229.82%	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
	0.15575100%	0.15575100%
	$ 7,862,469	$ 9,262,012
	$ 4,525,815	$ 3,664,689
	173.72%	252.74%
	71.70%	65.52%

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ERIE 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 liability	0.08043122%	0.08194262%	0.07971647%	0.08269208%
ESC's proportionate share of the net pension liability	$ 17,685,019	$ 19,465,645	$ 26,683,505	$ 22,853,672
ESC's covered payroll	$ 8,515,871	$ 8,015,050	$ 7,765,879	$ 8,834,186
ESC's proportionate share of the net pension liability as a percentage of its covered payroll	207.67%	242.86%	343.60%	258.70%
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
	0.08659003%	0.08659003%
	$ 21,061,692	$ 25,088,550
	$ 8,847,108	$ 10,074,808
	238.06%	249.02%
	74.70%	69.30%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 536,935	$ 519,689	$ 584,051	$ 569,170
Contributions in relation to the contractually required contribution	(536,935)	(519,689)	(584,051)	(569,170)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,977,296	$ 3,849,548	$ 4,171,793	$ 4,065,500
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	
$	510,993	$	627,278	$	507,193	$	476,531	$	489,475	$	550,907
	(510,993)		(627,278)		(507,193)		(476,531)		(489,475)		(550,907)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,877,033	$	4,525,815	$	3,664,689	$	3,542,981	$	3,893,994	$	4,068,737
	13.18%		13.86%		13.84%		13.45%		12.57%		13.54%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 1,191,184	$ 1,192,222	$ 1,122,107	$ 1,087,223
Contributions in relation to the contractually required contribution	(1,191,184)	(1,192,222)	(1,122,107)	(1,087,223)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 8,508,457	$ 8,515,871	$ 8,015,050	$ 7,765,879
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
	$ 1,236,786	$ 1,150,124	$ 1,309,725	$ 1,258,968	$ 1,313,583	$ 1,276,459
	(1,236,786)	(1,150,124)	(1,309,725)	(1,258,968)	(1,313,583)	(1,276,459)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 8,834,186	$ 8,847,108	$ 10,074,808	$ 9,684,369	$ 10,104,485	$ 9,818,915
	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	0.12208750%	0.12804730%	0.12918577%
ESC's proportionate share of the net OPEB liability	$ 3,387,037	$ 3,436,453	$ 3,682,272
ESC's covered payroll	$ 3,849,548	$ 4,171,793	$ 4,065,500
ESC's proportionate share of the net OPEB liability as a percentage of its covered payroll	87.99%	82.37%	90.57%
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

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	0.08043122%	0.08194262%	0.07971647%
ESC's proportionate share of the net OPEB liability/(asset)	$ (1,292,447)	$ 3,197,099	$ 4,263,258
ESC's covered payroll	$ 8,515,871	$ 8,015,050	$ 7,765,879
ESC's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	15.18%	39.89%	54.90%
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

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 92,102	$ 84,931	$ 70,250	$ 64,601
Contributions in relation to the contractually required contribution	(92,102)	(84,931)	(70,250)	(64,601)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ESC's covered payroll	$ 3,977,296	$ 3,849,548	$ 4,171,793	$ 4,065,500
Contributions as a percentage of covered payroll	2.32%	2.21%	1.68%	1.59%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 105,534	$ 78,195	$ 64,857	$ 83,331	$ 144,973	$ 84,551
(105,534)	(78,195)	(64,857)	(83,331)	(144,973)	(84,551)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,877,033	$ 4,525,815	$ 3,664,689	$ 3,542,981	$ 3,893,994	$ 4,068,737
2.72%	1.73%	1.77%	2.35%	3.72%	2.08%

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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	$ 8,508,457	$ 8,515,871	$ 8,015,050	$ 7,765,879
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
	$ -	$ 88,471	$ 100,748	$ 96,884	$ 101,045	$ 98,189
	-	(88,471)	(100,748)	(96,884)	(101,045)	(98,189)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 8,834,186	$ 8,847,108	$ 10,074,808	$ 9,684,369	$ 10,104,485	$ 9,818,915
	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.

NORTH POINT EDUCATIONAL SERVICE CENTER
ERIE 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 Positive (Negative)**
	Original	**Final**	**Actual**	
Revenues:				
From local sources:				
Tuition	$ 16,371,020	$ 15,871,020	$ 15,837,696	$ (33,324)
Earnings on investments	83,000	83,000	112,923	29,923
Rental income	10,000	10,000	2,860	(7,140)
Contract services	503,000	503,000	508,829	5,829
Other local revenues	46,000	46,000	57,348	11,348
Intergovernmental - state	969,980	969,980	978,625	8,645
Total revenues	17,983,000	17,483,000	17,498,281	15,281
Expenditures:				
Current:				
Instruction:				
Regular	1,029,481	1,015,880	845,693	170,187
Special	9,621,629	9,002,968	7,522,451	1,480,517
Support services:				
Pupil	6,377,088	6,294,338	5,201,804	1,092,534
Instructional staff	4,234,760	4,108,813	2,780,389	1,328,424
Board of education	136,240	209,440	99,516	109,924
Administration	861,380	850,000	655,613	194,387
Fiscal	594,352	587,000	457,765	129,235
Operations and maintenance	1,089,868	1,078,567	703,606	374,961
Central	167,129	164,921	99,245	65,676
Total expenditures	24,111,927	23,311,927	18,366,082	4,945,845
Excess of expenditures over revenues	(6,128,927)	(5,828,927)	(867,801)	4,961,126
Other financing sources:				
Refund of prior year's expenditures	100,000	100,000	70,918	(29,082)
Sale of capital assets	-	-	800	800
Total other financing sources	100,000	100,000	71,718	(28,282)
Net change in fund balance	(6,028,927)	(5,728,927)	(796,083)	4,932,844
Fund balance at beginning of year	5,828,443	5,828,443	5,828,443	-
Prior year encumbrances appropriated	200,485	200,485	200,485	-
Fund balance at end of year	$ 1	$ 300,001	$ 5,232,845	$ 4,932,844

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETARY PROCESS

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The ESC's Board of Education budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as both the original budgeted amounts and the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time the final appropriations were passed by the Board of Education.

The ESC's Board of Education adopts an annual appropriations resolution, which is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Education. The level of control has been established by the Board of Education at the fund and function level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within each fund.

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 reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including encumbered amount automatically carried forward from the prior fiscal years. The amounts reported as final budgeted amounts on the budgetary schedule represent the final appropriation amounts passed by the Board of Education during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

(c) In order 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); and

(d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted 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 is as follows:

Net Change in Fund Balance

	General fund
Budget basis	$ (796,083)
Net adjustment for revenue accruals	(100,899)
Net adjustment for expenditure accruals	(213,519)
Net adjustment for other sources and uses	(71,718)
Funds budgeted elsewhere	(83)
Adjustment for encumbrances	102,972
GAAP basis	$ (1,079,330)

Certain funds that are budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund and the special rotary fund.

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

North Point Education Service Center
Erie County
4918 Milan Road
Sandusky, Ohio 44870-5842

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Point Educational Service Center, Erie County, Ohio (the ESC) as of and for the years ended June 30, 2020, and 2019, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated May 3, 2021, wherein we noted the ESC implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the ESC.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

May 3, 2021

SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019

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

FINDING NUMBER 2020-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Custodial funds' equity in pooled cash and investments and net position - restricted for individuals, organizations and other governments were each understated in the amount of $2,000,000 at June 30, 2020.

Also identified were the following errors requiring adjustment to the basic financial statements and/or notes to the basic financial statements at June 30, 2019:

- Nonmajor governmental funds' fund balance restricted for other purposes in the amount of $33,825 was incorrect classified as restricted for state funded programs; and
- Agency funds' equity in pooled cash and investments and due to other governments were each understated in the amount of $2,000,000.

These errors were not identified and corrected prior to the ESC preparing its basic financial statements and notes to the basic financial statements due to deficiencies in the ESC's internal controls over financial statement monitoring. The accompanying basic financial statements and notes to the basic financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from $2,069 to $317,672 that we have brought to the ESC's attention.

To help ensure the ESC's basic financial statements and notes to the basic financial statements are complete and accurate, the ESC should adopt policies and procedures, including a final review of the basic financial statements, notes to the basic financial statements, and GAAP conversion work papers by the Treasurer, to help identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

NORTH POINT
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2020-001 in this report.	The ESC declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

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OHIO AUDITOR OF STATE
KEITH FABER

NORTH POINT EDUCATIONAL SERVICE CENTER

ERIE 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 5/20/2021

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