



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
JUNE 30, 2021**

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**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Ashtabula County Educational Service Center  
Ashtabula County  
2630 West 13th Street, Suite A  
Ashtabula, Ohio 44004

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County Educational Service Center, Ashtabula County, Ohio (the Service Center), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Service Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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Efficient • Effective • Transparent

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Service Center, as of June 30, 2021, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedules of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis present additional analysis and are not a required part of the basic financial statements.

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

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

***Other Information***

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2022, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 23, 2022

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## **Ashtabula County Educational Service Center**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2021*

*Unaudited*

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This discussion and analysis of the Ashtabula County Educational Service Center's (the Service Center) financial performance provides an overall review of the Service Center's financial activities for the fiscal year ended June 30, 2021, within the limitations of the Service Center's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Service Center's financial performance.

### **Highlights**

Key highlights for 2021 are as follows:

- The Service Center is having continued success with educational programs that are being used by all county schools. The Service Center began educating the Ashtabula County Developmental Disability school population (Happy Hearts) at the Service Center's campus and six satellites which include three classrooms in Geneva and one classroom each at Conneaut, Grand Valley and Pymatuning Valley.
- During 2021, the Service Center saw the first full year of collections on a 1.5 mill levy approved by voters for the Ashtabula County School Financing District for the benefit of special education purposes. These funds are used to offset the cost participating districts are paying to educate the students placed in the Happy Hearts programs. The Service Center also bills the Ashtabula County Developmental Disability for the Ohio Department of Education State funding they receive for the school age program and these funds are also used for the Happy Hearts program.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Service Center's cash basis of accounting.

### **Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the Service Center as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Service Center as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Service Center has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Service Center's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Service Center did financially during fiscal year 2021 within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Service Center at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Service Center's general receipts.

These statements report the Service Center's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Service Center's financial health. Over time, increases or decreases in the Service Center's cash position is one indicator of whether the Service Center's financial health is improving or deteriorating. When evaluating the Service Center's financial condition, you should also consider other nonfinancial factors as well, such as the condition of the Service Center's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

The statement of net position and the statement of activities usually distinguish between those activities of the Service Center that are governmental and those that are considered business-type. The Service Center, however, has no business-type activities.

***Governmental Activities*** Most of the Service Center's basic services are reported here, including instructional and support services. State and Federal grants and charges for services finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Service Center's major funds, not the Service Center as a whole. The Service Center establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Service Center are split into two categories: governmental and fiduciary.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

**Governmental Funds** Most of the Service Center's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Service Center's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Service Center's programs. The Service Center's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Service Center's major governmental funds are the general fund, the Service Center Special Programs special revenue fund, the Ashtabula County Financing District special revenue fund, the IDEA Part-B special revenue fund and the permanent improvement capital projects fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Service Center's programs. The Service Center does not report any fiduciary funds.

**The Service Center as a Whole**

Table 1 provides a summary of the Service Center's net position for fiscal year 2021 compared to fiscal year 2020 on a cash basis:

(Table 1)  
**Net Position**  
**Governmental Activities**

	2021	2020	Change
<b>Assets</b>			
Cash and Cash Equivalents	\$7,174,657	\$5,273,322	\$1,901,335
<b>Net Position</b>			
Restricted for:			
Other Purposes	\$3,124,632	\$1,267,237	\$1,857,395
Unrestricted	4,050,025	4,006,085	43,940
Total Net Position	\$7,174,657	\$5,273,322	\$1,901,335

Net position of governmental activities increased during 2021. This increase is a result of an increase in property tax collections as well as a continued effort in running the Service Center programs efficiently despite increasing costs.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

Table 2 reflects the changes in net position in fiscal year 2021 compared to fiscal year 2020.

(Table 2)  
**Changes in Net Position**  
**Governmental Activities**

	2021	2020	Change
<b>Receipts:</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$2,871,462	\$3,390,546	(\$519,084)
Operating Grants and Contributions	1,887,954	1,336,567	551,387
<b>Total Program Receipts</b>	<b>4,759,416</b>	<b>4,727,113</b>	<b>32,303</b>
<i>General Receipts:</i>			
Property Taxes	2,765,914	1,619,585	1,146,329
Grants and Entitlements Not Restricted to Specific Programs	5,619,148	5,859,763	(240,615)
Unrestricted Contributions and Donations	1,236	1,582	(346)
Interest	5,394	42,678	(37,284)
Miscellaneous	205,337	216,733	(11,396)
<b>Total General Receipts</b>	<b>8,597,029</b>	<b>7,740,341</b>	<b>856,688</b>
<b>Total Receipts</b>	<b>13,356,445</b>	<b>12,467,454</b>	<b>888,991</b>
<b>Disbursements:</b>			
<i>Instruction:</i>			
Regular	356,078	366,022	9,944
Special	4,851,159	4,866,876	15,717
Vocational	0	14,000	14,000
Adult/Continuing	129,698	148,488	18,790
Student Intervention Services	32,981	42,497	9,516
<i>Support Services:</i>			
Pupil	3,392,638	3,051,504	(341,134)
Instructional Staff	349,392	398,895	49,503
Board of Education	14,484	22,098	7,614
Administration	1,348,881	1,450,504	101,623
Fiscal	385,351	351,614	(33,737)
Operation and Maintenance of Plant	262,143	336,613	74,470
Pupil Transportation	89,935	5,501	(84,434)
Central	174,399	192,350	17,951
Operation of Non-Instructional Services	67,387	70,292	2,905
Extracurricular Activities	584	2,713	2,129
<b>Total Disbursements</b>	<b>11,455,110</b>	<b>11,319,967</b>	<b>(135,143)</b>
Change in Net Position	1,901,335	1,147,487	753,848
Net Position Beginning of Year	5,273,322	4,125,835	1,147,487
Net Position End of Year	<b>\$7,174,657</b>	<b>\$5,273,322</b>	<b>\$1,901,335</b>

Program receipts represent 35.63 percent of the total receipts and are primarily comprised of funds used to cover services provided to the school districts, tuition and operating grants. There was an increase in receipts over fiscal year 2020 due to an increase of property tax collections as well as increased operating grants and contributions. Expenditures increased due to increases in salaries and benefits.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

**Governmental Activities**

If you look at the statement of activities on page 12, you will see that the first column lists the major services provided by the Service Center. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for special instruction and pupil support services. The next two columns of the statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Service Center that must be used to provide a specific service. The net Receipts (Disbursements) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local sources. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost Of Services 2021	Net Cost of Services 2021	Total Cost Of Services 2020	Net Cost of Services 2020
Instruction:				
Regular	\$356,078	(\$277,618)	\$366,022	(\$293,579)
Special	4,851,159	(1,184,415)	4,866,876	(1,293,740)
Vocational	0	0	14,000	(653)
Adult/Continuing	129,698	28,213	148,488	14,805
Student Intervention Services	32,981	(16,727)	42,497	(38,643)
Support Services:				
Pupil	3,392,638	(2,685,534)	3,051,504	(2,716,562)
Instructional Staff	349,392	(283,325)	398,895	(361,353)
Board of Education	14,484	(12,496)	22,098	(20,094)
Administration	1,348,881	(1,348,881)	1,450,504	(1,010,803)
Fiscal	385,351	(385,351)	351,614	(309,809)
Operation and Maintenance of Plant	262,143	(229,333)	336,613	(314,532)
Pupil Transportation	89,935	(84,066)	5,501	(5,003)
Central	174,399	(152,912)	192,350	(175,658)
Operation of Non-Instructional Services	67,387	(62,745)	70,292	(64,517)
Extracurricular Activities	584	(504)	2,713	(2,713)
Total Disbursements	<u>\$11,455,110</u>	<u>(\$6,695,694)</u>	<u>\$11,319,967</u>	<u>(\$6,592,854)</u>

**The Government's Funds**

Information regarding the Service Center's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$13,356,445 and total disbursements of \$11,455,110. The net change in governmental fund balance for the year in the general fund increased due to revenues outpacing expenditures during the year. The Service Center Special Programs fund balance increased due to the increase in tuition and fees revenue. The IDEA part-B special revenue fund had no change in fund balance. The permanent improvement fund balance decreased due to expenditures outpacing revenues.

**Ashtabula County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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**Capital Assets**

The Service Center maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

**Current Issues**

The Service Center continues to be financially stable and is able to continue to offer the programs needed to enrich and service the various school districts. The Board and Administration closely monitor its receipts and disbursements in accordance with Board policy. The Service Center is committed to serving its local and city school districts.

While many outside factors can and will affect the economy, the Service Center is committed to provide the best services possible and to be fiscally responsible now and in the future. The Service Center is constantly evaluating its programs and expanding where it can to provide cost effective services to school districts. If the Service Center does not provide efficiency, there is no reason for a school district to contract with them.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Service Center's finances and to show the Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Gillespie, Treasurer at the Ashtabula County Educational Service Center, 2630 West 13<sup>th</sup> Street, Ashtabula, Ohio 44004.

**Ashtabula County Educational Service Center**

*Statement of Net Position - Cash Basis*

*June 30, 2021*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,174,657</u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	\$3,124,632
Unrestricted	<u>4,050,025</u>
<i>Total Net Position</i>	<u>\$7,174,657</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2021*

	Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$356,078	\$78,460	\$0	(\$277,618)
Special	4,851,159	2,279,328	1,387,416	(1,184,415)
Adult/Continuing	129,698	53,045	104,866	28,213
Student Intervention Services	32,981	3,278	12,976	(16,727)
Support Services:				
Pupil	3,392,638	363,072	344,032	(2,685,534)
Instructional Staff	349,392	45,035	21,032	(283,325)
Board of Education	14,484	1,988	0	(12,496)
Administration	1,348,881	0	0	(1,348,881)
Fiscal	385,351	0	0	(385,351)
Operation and Maintenance of Plant	262,143	22,025	10,785	(229,333)
Pupil Transportation	89,935	51	5,818	(84,066)
Central	174,399	20,458	1,029	(152,912)
Operation of Non-Instructional Services	67,387	4,642	0	(62,745)
Extracurricular Activities	584	80	0	(504)
<b>Total</b>	<b>\$11,455,110</b>	<b>\$2,871,462</b>	<b>\$1,887,954</b>	<b>(6,695,694)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
Special Education Purposes				2,765,914
Grants and Entitlements not Restricted to Specific Programs				5,619,148
Unrestricted Contributions and Donations				1,236
Interest				5,394
Miscellaneous				205,337
<i>Total General Receipts</i>				<u>8,597,029</u>
<i>Change in Net Position</i>				1,901,335
<i>Net Position Beginning of Year</i>				<u>5,273,322</u>
<i>Net Position End of Year</i>				<u><u>\$7,174,657</u></u>

See accompanying notes to the basic financial statements



**Ashtabula County Educational Service Center**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2021*

	General	Service Center Special Programs	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,410,061	\$2,962,554	\$639,964	\$162,078	\$7,174,657
<b>Fund Balances</b>					
Restricted	\$0	\$2,962,554	\$0	\$162,078	\$3,124,632
Committed	0	0	639,964	0	639,964
Assigned	97,350	0	0	0	97,350
Unassigned	3,312,711	0	0	0	3,312,711
<i>Total Fund Balances</i>	<u>\$3,410,061</u>	<u>\$2,962,554</u>	<u>\$639,964</u>	<u>\$162,078</u>	<u>\$7,174,657</u>

See accompanying notes to the basic financial statements

**Ashtabula County Educational Service Center**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

	General	Service Center Special Programs	Ashtabula County Financing District
<b>Receipts</b>			
Property Taxes	\$0	\$0	\$2,765,914
Intergovernmental	5,619,148	0	98,031
Interest	5,015	379	0
Tuition and Fees	768,101	1,158,058	0
Contributions and Donations	1,236	0	0
Charges for Services	856,478	0	0
Miscellaneous	205,337	0	0
<i>Total Receipts</i>	<u>7,455,315</u>	<u>1,158,437</u>	<u>2,863,945</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	310,956	0	0
Special	2,573,083	1,365,413	0
Adult/Continuing	0	0	0
Student Intervention Services	23,881	0	0
Support Services:			
Pupil	2,645,240	477,399	0
Instructional Staff	328,113	569	0
Board of Education	14,484	0	0
Administration	874,112	88,866	0
Fiscal	332,978	0	33,533
Operation and Maintenance of Plant	160,470	70,289	0
Pupil Transportation	368	85,487	0
Central	149,049	22,536	0
Operation of Non-Instructional Services	33,821	33,566	0
Extracurricular Activities	584	0	0
Capital Outlay	0	0	0
<i>Total Disbursements</i>	<u>7,447,139</u>	<u>2,144,125</u>	<u>33,533</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>8,176</u>	<u>(985,688)</u>	<u>2,830,412</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	2,830,412	0
Transfers Out	0	0	(2,830,412)
Advances In	56,528	0	0
Advances Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>56,528</u>	<u>2,830,412</u>	<u>(2,830,412)</u>
<i>Net Change in Fund Balances</i>	64,704	1,844,724	0
<i>Fund Balances Beginning of Year</i>	<u>3,345,357</u>	<u>1,117,830</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$3,410,061</u>	<u>\$2,962,554</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

IDEA Part-B	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$0	\$2,765,914
1,516,757	0	273,166	7,507,102
0	0	0	5,394
0	0	88,825	2,014,984
0	0	0	1,236
0	0	0	856,478
0	0	0	205,337
<u>1,516,757</u>	<u>0</u>	<u>361,991</u>	<u>13,356,445</u>
0	0	45,122	356,078
878,319	0	34,344	4,851,159
0	0	129,698	129,698
9,100	0	0	32,981
172,160	0	97,839	3,392,638
0	0	20,710	349,392
0	0	0	14,484
382,053	0	3,850	1,348,881
14,800	0	4,040	385,351
0	6,550	10,620	247,929
4,080	0	0	89,935
0	0	2,814	174,399
0	0	0	67,387
0	0	0	584
0	14,214	0	14,214
<u>1,460,512</u>	<u>20,764</u>	<u>349,037</u>	<u>11,455,110</u>
<u>56,245</u>	<u>(20,764)</u>	<u>12,954</u>	<u>1,901,335</u>
0	0	0	2,830,412
0	0	0	(2,830,412)
0	0	0	56,528
<u>(56,245)</u>	<u>0</u>	<u>(283)</u>	<u>(56,528)</u>
<u>(56,245)</u>	<u>0</u>	<u>(283)</u>	<u>0</u>
0	(20,764)	12,671	1,901,335
0	660,728	149,407	5,273,322
<u>\$0</u>	<u>\$639,964</u>	<u>\$162,078</u>	<u>\$7,174,657</u>

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 1 – Reporting Entity**

In 1963, the Ashtabula County Educational Service Center (the Service Center) was formed. The Service Center supplies special education, supervisory, administrative, fiscal and other needed services to area school districts in Ashtabula County. The Service Center operates under a locally-elected five-member governing board form of government and provides educational services as mandated by State or federal agencies to four local and two city school districts. The Board controls the Service Center's staff who provide services to over 12,500 students and other community members in Ashtabula County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

#### ***Financial Reporting Entity***

The Service Center followed the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The financial statements include all the organizations, activities, functions and component units for which the Service Center (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the Service Center's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Service Center.

On this basis, the financial statements of the Ashtabula County School Financing District have been included in the accompanying financial statements as a blended component unit. The Ashtabula County School Financing District is legally separate, but governed by the same board; therefore, the Service Center has the ability to impose its will over the Ashtabula County School Financing District. The Service Center acts as the fiscal agent for the Ashtabula County School Financing District; however, the Ashtabula County School Financing District is reported as a special revenue fund.

#### ***Other Organizations***

The Service Center participates in two jointly governed organizations, two insurance purchasing pools, and one risk sharing pool. These organizations are the North East Ohio Management Information Network, the Ashtabula County Technical and Career Center, the Ohio School Plan, the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Program, and the Ashtabula County Schools Council of Governments. These organizations are presented in Notes 10 and 11 to the basic financial statements.

The Service Center's management believes these financial statements present all activities for which the Service Center is financially accountable.

### **Note 2 – Summary of Significant Accounting Policies**

The financial statements of the Service Center are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Service Center's accounting policies.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### ***Basis of Presentation***

The Service Center's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Service Center that are governmental and those that are considered business-type. The Service Center, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance of the governmental activities of the Service Center at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the Service Center's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Service Center's general receipts.

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

### ***Fund Accounting***

The Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Service Center are divided into two categories: governmental and fiduciary.

***Governmental Funds*** The Service Center classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Service Center's major funds are the general fund, the Ashtabula County Financing District special revenue fund, the Financing District ESC Programs special revenue fund, the IDEA Part-B special revenue fund and the permanent improvement capital projects fund.

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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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***Service Center Special Programs*** The Service Center special programs fund accounts for and reports resources restricted for the special education programs the Service Center offers.

***Ashtabula County School Financing District*** The Ashtabula County School Financing District fund accounts for and reports property taxes restricted for special education and related services within the Financing District. Budgetary information is not reported for the Ashtabula County School Financing District (blended component unit) because it is not included in the entity for which the “appropriated budget” is adopted.

***IDEA Part-B Fund*** The IDEA Part-B fund accounts for and reports Federal monies restricted to assist schools in the identification of handicapped children, development of procedural safeguards, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

***Permanent Improvement*** The permanent improvement fund accounts for and reports transfers from the general fund committed to cover capital repairs and improvements on the State Road building.

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

### ***Basis of Accounting***

The Service Center’s financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Service Center’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Service Center are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

### ***Cash and Investments***

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

Investments of the Service Center’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Service Center are presented on the financial statements as cash equivalents.

During fiscal year 2021, the Service Center invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Service Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2021 was \$5,015, which included \$2,451 assigned from other Service Center funds.

### ***Inventory and Prepaid Items***

The Service Center reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Pensions/Other Postemployment Benefits (OPEB)***

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

### ***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Service Center's cash basis of accounting.

### ***Employer Contributions to Cost-Sharing Pension Plans***

The Service Center recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 13 and 14, the employer contributions include portions for pension benefits and for postretirement health care benefits.

### ***Interfund Receivables/Payables***

The Service Center reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

### ***Long-Term Obligations***

The Service Center's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for Federal and State grants restricted to cash disbursement for specified purposes. The Service Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Service Center 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Service Center Governing Board. In the general fund, assigned amounts represent intended uses established by policies of the Service Center Governing Board or by State Statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Service Center Governing Board assigned fund balance for public school support.

***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 used only to report a deficit balance.

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



**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Internal Activity**

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the Service Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Service Center prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The Service Center can be fined.

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Service Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Service Center Special Programs	Permanent Improvement	Other Governmental Funds	Total
<b>Restricted for</b>					
Special Education	\$0	\$2,962,554	\$0	\$0	\$2,962,554
Latchkey Program	0	0	0	6,519	6,519
Bus Driver Training	0	0	0	155,559	155,559
<b>Total Restricted</b>	<b>0</b>	<b>2,962,554</b>	<b>0</b>	<b>162,078</b>	<b>3,124,632</b>
<b>Committed to</b>					
Capital Projects	0	0	639,964	0	639,964
<b>Assigned to</b>					
Public School Support	34,712	0	0	0	34,712
Purchases on order:					
Instruction	5,812	0	0	0	5,812
Support Services	56,826	0	0	0	56,826
<b>Total Assigned</b>	<b>97,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,350</b>
<b>Unassigned</b>	<b>3,312,711</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,312,711</b>
<b>Total Fund Balances</b>	<b>\$3,410,061</b>	<b>\$2,962,554</b>	<b>\$639,964</b>	<b>\$162,078</b>	<b>\$7,174,657</b>

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 5 – Deposits and Investments**

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

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

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

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

Interim monies held by the Service Center can be deposited or invested in the following securities:

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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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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.

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 Service Center, and must be purchased with the expectation that it will be held to maturity.

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

### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,709,379 of the Service Center's bank balance of \$3,098,965 was exposed to custodial credit risk because it was uninsured and collateralized. The Service Center's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

Eligible securities pledged to the Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

### **Investments**

As of June 30, 2021, the Service Center only had an investment of \$4,091,084 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 54.4 days.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Service Center has no investment policy that addresses credit risk.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 6 – State Funding**

The Service Center, under State law, provides supervisory services to local school districts within its territory. Each city, local and exempted village school district that entered into an agreement with the Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Service Center's city, local and exempted school districts based on each school's total student count. The State Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Service Center. The Service Center may provide additional supervisory services if the majority of local and client school districts agree to the services and the apportionment of the costs to all of the client school districts.

The Service Center also receives funding from the State Department of Education in the amount of \$26 times the average daily membership of the Service Center. The State subsidy funding decreased to \$24 but because the Service Center applied and received High Performing ESC Status, the Service Center received \$26 in fiscal year 2021. Average daily membership includes the total student counts of all local school districts within the Service Center's territory and all of the Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Service Center's local and client school districts an amount equal to \$19.19 for Buckeye, Grand Valley, Pymatuning Valley, and Jefferson, and an amount equal to \$6.50 for Geneva, Ashtabula and Conneaut, then remits this amount times the school district's total student count to the Service Center.

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

### **Note 7 - Property Taxes**

#### ***Property Taxes***

Property taxes are levied and assessed on a calendar year basis while the Financing District fiscal year runs from July through June. First half tax collections are received by the Financing District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Financing District. Real property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

## Ashtabula County Educational Service Center

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

The Financing District receives property taxes from Ashtabula County. The County Auditor periodically advances to the Financing District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2021 taxes were collected on behalf of the Financing District are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$1,751,882,260	92.54%	\$1,869,576,860	92.51%
Public Utility Personal	141,228,440	7.46	151,429,300	7.49
Total	<u>\$1,893,110,700</u>	<u>100.00%</u>	<u>\$2,021,006,160</u>	<u>100.00%</u>

Full Tax Rate per \$1,000 of assessed valuation	\$1.50	\$1.50
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### Note 8 – Risk Management

#### *Property and Liability*

The Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Service Center joined together with other service centers and school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual member enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. The Service Center contracted with OSP for general liability with a \$1,000,000 per occurrence and \$3,000,000 aggregate and for errors and omissions with a \$1,000,000 per occurrence and \$3,000,000 aggregate.

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

#### *Workers' Compensation*

The Service Center participates in the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the Service Center by virtue of its grouping and representation with other participants in the Program. Participants in the Program 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 the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling"

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program’s selection criteria. The firm of Sheakley UniService provides administrative, cost control, assistance with safety programs and actuarial services to the Program.

***Employee Medical Benefits***

The Service Center participates in the Ashtabula County Schools Council of Governments, a risk sharing pool (Note 11) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The Service Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Service Center’s Board pays eight percent of the cost of a monthly premium for all full-time employees.

**Note 9 – Encumbrances**

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

General	\$62,638
Service Center Special Programs	25,793
IDEA Part-B	94,417
Permanent Improvement	8,075
Other Governmental Funds	<u>2,880</u>
Total	<u><u>\$193,803</u></u>

**Note 10 – Jointly Governed Organizations**

***North East Ohio Management Information Network***

The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The Service Center paid \$17,820 to NEOMIN during fiscal year 2021.

The Governing Board consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The degree of control exercised by a participating service center is limited to its representation on the Governing Board. To obtain a copy of NEOMIN’s financial statements, write to the Trumbull County Career and Technical Center, 528 Educational Highway, Warren, Ohio 44483.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### ***Ashtabula County Technical and Career Center***

The Ashtabula County Technical and Career Center (TCC) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The TCC is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The degree of control exercised by the Service Center is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The Service Center made \$0 in contributions for fiscal year 2021. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical and Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

### **Note 11 – Public Entity Risk Pools**

#### ***Insurance Purchasing Pools***

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

***Better Business Bureau of Central Ohio Workers' Compensation Group Rating Program*** The Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Better Business Bureau of Central Ohio Workers' Compensation Group Retrospective Rating Program (Program) was established through the Better Business Bureau of Central Ohio (BBB) as a group purchasing pool. The Executive Director of the BBB, or his designee, serves as coordinator of the Program. Each year, the participating members pay an enrollment fee to the Program to cover the costs of administering the program.

#### ***Risk Sharing Pool***

***Ashtabula County Schools Council of Governments*** The Service Center has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The Service Center pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating members. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the Service Center. The Service Center is not liable nor receives a cash balance of past claims upon departure from the pool.

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 12 – Contingent Liabilities**

#### ***Grants***

Amounts grantor agencies pay to the Service Center are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

#### ***School Foundation***

In fiscal year 2021, Service Center foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the adjustments and they did not have any significant impact on the Service Center's funding.

#### ***Litigation***

The Service Center is not party to legal proceedings.

### **Note 13 – Defined Benefit Pension Plans**

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

#### ***Net Pension Liability/Net OPEB Liability***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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



**Ashtabula County Educational Service Center**

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Service Center's contractually required contribution to SERS was \$279,818 for fiscal year 2021.

### ***Plan Description - State Teachers Retirement System (STRS)***

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
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the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The Service Center's contractually required contribution to STRS was \$659,002 for fiscal year 2021.

### ***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Service Center's proportion of the net pension liability was based on the Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**Ashtabula County Educational Service Center**

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.05286760%	0.03877774%	
Current Measurement Date	<u>0.05692480%</u>	<u>0.03773814%</u>	
Change in Proportionate Share	<u>0.00405720%</u>	<u>-0.00103960%</u>	
Proportionate Share of the Net Pension Liability	\$3,765,127	\$9,131,288	\$12,896,415

***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, 2020, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

## Ashtabula County Educational Service Center

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

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

**Sensitivity of the Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Service Center's proportionate share of the net pension liability	\$5,157,763	\$3,765,127	\$2,596,677

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

### ***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

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

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

Actuarial assumptions used in the July 1 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, but 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.

**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Service Center's proportionate share of the net pension liability	\$13,001,363	\$9,131,288	\$5,851,720

**Note 14 – Defined Benefit OPEB Plans**

See note 13 for a description of the net OPEB liability

***Plan Description - School Employees Retirement System (SERS)***

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

## **Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Service Center's surcharge obligation was \$35,265.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Service Center's contractually required contribution to SERS was \$35,265 for fiscal year 2021.

### ***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. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

### ***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Service Center's proportion of the net OPEB liability (asset) was based on the Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:



**Ashtabula County Educational Service Center**

*Notes to the Basic Financial Statements  
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Prior Measurement Date	0.05392040%	0.03877774%	
Current Measurement Date	<u>0.05906130%</u>	<u>0.03773814%</u>	
 Change in Proportionate Share	 <u>0.00514090%</u>	 <u>-0.00103960%</u>	
 Proportionate Share of the:			
Net OPEB Liability (Asset)	\$1,283,593	(\$663,247)	\$620,346

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
 Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

**Ashtabula County Educational Service Center**

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). 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.

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Service Center's proportionate share of the net OPEB liability	\$1,571,089	\$1,283,593	\$1,055,039

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
Service Center's proportionate share of the net OPEB liability	\$1,010,734	\$1,283,593	\$1,648,481

### ***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

**Discount Rate** The discount rate used to measure the total OPEB liability (asset) was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability (asset) as of June 30, 2020.

**Sensitivity of the Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Service Center's proportionate share of the net OPEB asset	(\$577,068)	(\$663,247)	(\$736,367)
	1% Decrease	Current Trend Rate	1% Increase
Service Center's proportionate share of the net OPEB asset	(\$731,828)	(\$663,247)	(\$579,705)

### Note 15 – Ashtabula County Financing District

On April 16, 2018, the Service Center passed a resolution declaring the creation of a County School Financing District (Financing District) pursuant to Revised Code Section 3311.50. The Financing District consists of the territories of the Service Center and the following school districts: Buckeye Local School District, Grand Valley Local School District, Jefferson Area Local School District, Pymatuning Valley Local School District, Ashtabula Area City School District, Conneaut Area City School District and Geneva Area City School District. The Financing District is legally separate, but governed by the same board; therefore, the Service Center has the ability to impose its will over the Financing District. The Service Center acts as the fiscal agent for the Financing District; however, the Financing District is reported as a special revenue fund. The Financing District shall serve the following purposes:

1. To levy taxes for the provision of special education by the member school districts including taxes for permanent improvements for special education;

## Ashtabula County Educational Service Center

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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2. To levy taxes for the provision of specified education programs and services by the member school districts including the levying of taxes for permanent improvements for those programs and services, and;
3. To levy taxes for permanent improvements of member school districts.

### **Note 16 – Interfund Transactions**

#### ***Interfund Advances***

The IDEA Part-B fund and other governmental funds made advances to the general fund in the amounts of \$56,245 and \$283, respectively. These advances were made to return prior year advances from the general fund.

#### ***Interfund Transfers***

The Ashtabula County Financing District special revenue fund made a nonreciprocal interfund transfer in the amount of \$2,830,412 to the Service Center special programs special revenue fund to move resources necessary to fund special education programs offered by the Service Center.

### **Note 17 – Related Party Transactions**

During fiscal year 2021, the Service Center received \$2,830,412 from the Ashtabula County Financing District for special education and related services within the Financing District in accordance with the shared revenue agreement.

During fiscal year 2021, the Financing District paid \$2,830,412 to the Ashtabula Educational Service Center for special education and related services within the Financing District in accordance with the shared revenue agreement.

### **Note 18 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding and Governors Emergency Education Relief (GEER) funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

### **Note 19 – Subsequent Events**

For fiscal year 2022, foundation funding for Educational Service Centers will be funded on a new model which is based on student count. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

## Supplemental Information

### Ashtabula County Educational Service Center

*Schedule of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental			\$5,619,148	
Interest			5,015	
Tuition and Fees			768,101	
Contributions and Donations			25	
Charges for Services			856,478	
Miscellaneous			205,337	
<i>Total Receipts</i>			7,454,104	
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	\$919,504	\$669,081	313,251	\$355,830
Special	3,037,002	3,204,839	2,576,180	628,659
Adult/Continuing	730	730	0	730
Student Intervention Services	44,210	44,210	23,881	20,329
Support Services:				
Pupil	2,940,269	3,225,675	2,648,776	576,899
Instructional Staff	366,767	444,872	328,638	116,234
Board of Education	26,230	30,817	14,936	15,881
Administration	942,713	1,026,759	881,579	145,180
Fiscal	320,675	412,082	333,008	79,074
Operation and Maintenance of Plant	233,118	324,352	197,850	126,502
Pupil Transportation	6,490	6,510	368	6,142
Central	780,956	333,890	149,049	184,841
Operation of Non-Instructional Services	46,083	47,383	33,821	13,562
Extracurricular Activities	0	265	265	0
Capital Outlay	10,000	6,938	6,938	0
<i>Total Disbursements</i>	\$9,674,747	\$9,778,403	7,508,540	\$2,269,863
<i>Excess of Receipts Over Disbursements</i>			(54,436)	
<b>Other Financing Sources (Uses)</b>				
Advances In			56,528	
<i>Net Change in Fund Balance</i>			2,092	
<i>Fund Balance Beginning of Year</i>			3,213,144	
Prior Year Encumbrances Appropriated			97,501	
<i>Fund Balance End of Year</i>			\$3,312,737	

See accompanying notes to the supplemental information

## Supplemental Information

**Ashtabula County Educational Service Center**  
*Schedule of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Service Center Special Programs Fund*  
*For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental			\$2,830,412	
Interest			379	
Tuition and Fees			1,158,058	
<i>Total Receipts</i>			<u>3,988,849</u>	
<b>Disbursements</b>				
Current:				
Instruction:				
Special	\$0	\$0	1,365,524	(\$1,365,524)
Support Services:				
Pupil	0	0	485,788	(485,788)
Instructional Staff	0	0	3,819	(3,819)
Administration	113	113	91,740	(91,627)
Operation and Maintenance of Plant	4,844	4,844	74,520	(69,676)
Pupil Transportation	0	0	85,487	(85,487)
Central	0	0	22,536	(22,536)
Operation of Non-Instructional Services	0	0	33,566	(33,566)
Capital Outlay	0	0	6,938	(6,938)
<i>Total Disbursements</i>	<u>\$4,957</u>	<u>\$4,957</u>	<u>2,169,918</u>	<u>(\$2,164,961)</u>
<i>Net Change in Fund Balance</i>			1,818,931	
<i>Fund Balance Beginning of Year</i>			1,112,873	
Prior Year Encumbrances Appropriated			<u>4,957</u>	
<i>Fund Balance End of Year</i>			<u><u>\$2,936,761</u></u>	

See accompanying notes to the supplemental information

## Supplemental Information

### Ashtabula County Educational Service Center

*Schedule of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*IDEA Part-B Fund*

*For the Fiscal Year Ended June 30, 2021*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental			<u>\$1,516,757</u>	
<b>Disbursements</b>				
Current:				
Instruction:				
Special	\$1,257,805	\$979,569	944,462	\$35,107
Vocational	14,000	0	0	0
Student Intervention Services	6,500	9,100	9,100	0
Support Services:				
Pupil	179,524	207,395	200,434	6,961
Administration	262,583	403,153	382,053	21,100
Fiscal	14,800	14,800	14,800	0
Pupil Transportation	0	4,080	4,080	0
<i>Total Disbursements</i>	<u>\$1,735,212</u>	<u>\$1,618,097</u>	<u>1,554,929</u>	<u>\$63,168</u>
<i>Excess of Receipts Under Disbursements</i>			(38,172)	
<b>Other Financing Sources</b>				
Advances Out			<u>(56,245)</u>	
<i>Net Change in Fund Balance</i>			(94,417)	
<i>Fund Deficit Beginning of Year</i>			(19,680)	
Prior Year Encumbrances Appropriated			<u>19,680</u>	
<i>Fund Deficit End of Year</i>			<u><u>(\$94,417)</u></u>	

See accompanying notes to the supplemental information



# Ashtabula County Educational Service Center

*Notes to the Supplemental Information  
For the Fiscal Year Ended June 30, 2021*

## Note 1 – Budgetary Basis of Accounting

### *Budgetary Process*

The Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Service Center’s Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board’s authorization to spend resources. The resolution sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the Ashtabula County Financing District special revenue fund are not reported because it is not included in the entity for which the “appropriated budget” is adopted. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

### *Budgetary Basis of Accounting*

The Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis for the general fund, the Service Center special programs and the IDEA Part-B special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and the cash basis are that:

1. Encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).
2. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the general fund, the Service Center special programs and IDEA Part-B fund.

#### Net Change in Fund Balance

	General	Service Center Special Programs	IDEA Part-B
Cash Basis	\$64,704	\$1,844,724	\$0
Perspective Differences:			
Public School Support	26	0	0
Adjustment for Encumbrances	(62,638)	(25,793)	(94,417)
Budget Basis	\$2,092	\$1,818,931	(\$94,417)

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ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
<b>Special Education Grants to States</b>			
IDEA Part B	84.027	2020	\$73,180
IDEA Part B		2021	1,363,007
Parent Mentor Project		2020	3,485
Parent Mentor Project		2021	19,661
Parent Mentor Project Supplement		2021	1,179
<b>Sub-Total - IDEA, Part B</b>			<b><u>1,460,512</u></b>
Early Childhood Special Education, IDEA	84.173	2021	22,273
<b>Sub-Total - Childhood Special Education IDEA</b>			<b><u>22,273</u></b>
<b>Total - Special Education Cluster</b>			<b>1,482,785</b>
<b>Education Stabilization Fund</b>			
Elementary and Secondary School Emergency Relief Fund - COVID 19	84.425D	2021	24,569
Governor's Emergency Education Relief Fund - COVID 19	84.425C	2021	90,899
<b>Sub-Total Education Stabilization Fund</b>			<b><u>115,468</u></b>
<b>Total U.S. Department of Education</b>			<b><u>\$1,598,253</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Ashtabula County Educational Service Center (the Service Center) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Service Center, it is not intended to and does not present the financial position or changes in net position of the Service Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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



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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**

Ashtabula County Educational Service Center  
Ashtabula County  
2630 West 13th Street, Suite A  
Ashtabula, Ohio 44004

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County Educational Service Center, (the Service Center) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated February 23, 2022, wherein we noted the Service Center uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***Service Center's Response to Findings***

The Service Center's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the Service Center's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 23, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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

Ashtabula County Educational Service Center  
Ashtabula County  
2630 West 13th Street, Suite A  
Ashtabula, Ohio 44004

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Ashtabula County Educational Service Center's (the Service Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Ashtabula County Educational Service Center's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Service Center's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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



***Opinion on the Major Federal Program***

In our opinion, the Ashtabula County Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

***Report on Internal Control Over Compliance***

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 23, 2022

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster IDEA Part B (AL #84.027) Early Childhood Special Education IDEA (AL #84.173)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Annual Financial Reporting**

**FINDING NUMBER 2021-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on a form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Service Center to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Service Center prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the Service Center's ability to evaluate and monitor the overall financial condition of the Service Center. To help provide the users with more meaningful financial statements, the Service Center should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response: See Corrective Action Plan

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Ohio Administrative Code § 117-2-03 (B) requires the Service Center to prepare its financial report in accordance with generally accepted accounting principles.	Not Corrected, the Service Center has filed its financial report under the OCBOA 34 Cash Basis of Accounting since 2006. Repeated as finding 2021-001.	The Governing Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the GAAP conversion for their reporting needs.

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**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2021**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	The Governing Board, Superintendent and Treasurer do not feel it is cost effective and efficient to prepare the Generally Accepted Accounting Principles (GAAP) basis financial statements to meet the Service Center's reporting needs. Therefore, we chose to report using the Other Comprehensive Basis of Accounting (OCBOA) special framework.	n/a	Mary F. Gillespie, Treasurer and Michael Candela, Superintendent

**Our Mission**

The purpose of the Ashtabula County Educational Service Center is to be a high performing organization that enables districts to achieve excellence.

**Serving Schools of**

Ashtabula Area City • Buckeye Local • Conneaut Area City •  
 Geneva Area City • Grand Valley Local • Happy Hearts •  
 Jefferson Area Local • Pymatuning Valley Local

**Governing Board**

Barbara Klingensmith, President  
 Dr. Harlan S. Waid Jr., Vice President  
 Joseph F. Donatone, Member  
 Gus S. Saikaly, Member  
 George Smith, II, Member

# OHIO AUDITOR OF STATE KEITH FABER



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER**

**ASHTABULA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/17/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)