OHIO AUDITOR OF STATE
KEITH FABER

ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY
JUNE 30, 2022

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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 Audit of the Financial Statements

Opinions

We have audited 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, Ashtabula County, Ohio (the Service Center) as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Service Center, as of June 30, 2022, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Service Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - 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 of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Service Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Service Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the Service Center's basic financial statements.

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 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 is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures 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 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service Center's 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

January 3, 2023

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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, 2022, 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 2022 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 2022, the Service Center saw the second 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.

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 2022 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 governmental.

Governmental Funds 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 and the Ashtabula County Financing District special revenue fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Service Center as a Whole

Table 1 provides a summary of the Service Center's net position for fiscal year 2022 compared to fiscal year 2021 on a cash basis:

(Table 1)
Net Position
Governmental Activities

	2022	2021	Change
Assets			
Cash and Cash Equivalents	$8,533,336	$7,174,657	$1,358,679
Net Position			
Restricted for:			
Other Purposes	$4,320,973	$3,124,632	$1,196,341
Unrestricted	4,212,363	4,050,025	162,338
Total Net Position	$8,533,336	$7,174,657	$1,358,679

Net position of governmental activities increased during 2022. 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.

Table 2 reflects the changes in net position in fiscal year 2022 compared to fiscal year 2021.

(Table 2)
Changes in Net Position
Governmental Activities

	2022	2021	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	$4,711,588	$2,871,462	$1,840,126
Operating Grants and Contributions	1,890,886	1,887,954	2,932
Total Program Receipts	6,602,474	4,759,416	1,843,058
General Receipts:			
Property Taxes	2,844,308	2,765,914	78,394
Grants and Entitlements Not Restricted to Specific Programs	5,523,382	5,619,148	(95,766)
Unrestricted Contributions and Donations	5,980	1,236	4,744
Interest	11,991	5,394	6,597
Miscellaneous	115,164	205,337	(90,173)
Total General Receipts	8,500,825	8,597,029	(96,204)
Total Receipts	15,103,299	13,356,445	1,746,854
Disbursements:			
Instruction:			
Regular	1,380,245	356,078	(1,024,167)
Special	5,265,312	4,851,159	(414,153)
Adult/Continuing	144,155	129,698	(14,457)
Student Intervention Services	13,688	32,981	19,293
Support Services:			
Pupil	3,619,025	3,392,638	(226,387)
Instructional Staff	363,620	349,392	(14,228)
Board of Education	17,753	14,484	(3,269)
Administration	1,467,948	1,348,881	(119,067)
Fiscal	335,407	385,351	49,944
Operation and Maintenance of Plant	656,659	262,143	(394,516)
Pupil Transportation	150,683	89,935	(60,748)
Central	199,991	174,399	(25,592)
Operation of Non-Instructional Services	128,850	67,387	(61,463)
Extracurricular Activities	1,284	584	(700)
Total Disbursements	13,744,620	11,455,110	(2,289,510)
Change in Net Position	1,358,679	1,901,335	(542,656)
Net Position Beginning of Year	7,174,657	5,273,322	1,901,335
Net Position End of Year	$8,533,336	$7,174,657	$1,358,679

Program receipts represent 43.72 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 2021 due to an increase of property tax collections as well as increased program receipts from charges for services and sales due to the Service Center providing additional resources to member districts. Expenditures increased due to increases in salaries and benefits.

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 2022	Net Cost of Services 2022	Total Cost Of Services 2021	Net Cost of Services 2021
Instruction:				
Regular	$1,380,245	($951,551)	$356,078	($277,618)
Special	5,265,312	(814,364)	4,851,159	(1,184,415)
Adult/Continuing	144,155	28,486	129,698	28,213
Student Intervention Services	13,688	(9,922)	32,981	(16,727)
Support Services:				
Pupil	3,619,025	(2,408,607)	3,392,638	(2,685,534)
Instructional Staff	363,620	(258,562)	349,392	(283,325)
Board of Education	17,753	(12,869)	14,484	(12,496)
Administration	1,467,948	(1,467,948)	1,348,881	(1,348,881)
Fiscal	335,407	(335,407)	385,351	(385,351)
Operation and Maintenance of Plant	656,659	(531,047)	262,143	(229,333)
Pupil Transportation	150,683	(150,683)	89,935	(84,066)
Central	199,991	(108,928)	174,399	(152,912)
Operation of Non-Instructional Services	128,850	(119,813)	67,387	(62,745)
Extracurricular Activities	1,284	(931)	584	(504)
Total Disbursements	$13,744,620	($7,142,146)	$11,455,110	($6,695,694)

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 $15,103,299 and total disbursements of $13,744,620. 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.

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 13th Street, Ashtabula, Ohio 44004.

Ashtabula County Educational Service Center

Statement of Net Position - Cash Basis

June 30, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$8,533,336
Net Position	
Restricted for:	
Other Purposes	$4,320,973
Unrestricted	4,212,363
Total Net Position	$8,533,336

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, 2022

		Program Cash Receipts		Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$1,380,245	$423,574	$5,120	($951,551)
Special	5,265,312	3,249,997	1,200,951	(814,364)
Adult/Continuing	144,155	67,775	104,866	28,486
Student Intervention Services	13,688	3,766	0	(9,922)
Support Services:				
Pupil	3,619,025	716,977	493,441	(2,408,607)
Instructional Staff	363,620	95,102	9,956	(258,562)
Board of Education	17,753	4,884	0	(12,869)
Administration	1,467,948	0	0	(1,467,948)
Fiscal	335,407	0	0	(335,407)
Operation and Maintenance of Plant	656,659	103,943	21,669	(531,047)
Pupil Transportation	150,683	0	0	(150,683)
Central	199,991	36,180	54,883	(108,928)
Operation of Non-Instructional Services	128,850	9,037	0	(119,813)
Extracurricular Activities	1,284	353	0	(931)
Total	$13,744,620	$4,711,588	$1,890,886	(7,142,146)

General Receipts	
Property Taxes Levied for:	
Special Education Purposes	2,844,308
Grants and Entitlements not Restricted to Specific Programs	5,523,382
Unrestricted Contributions and Donations	5,980
Interest	11,991
Miscellaneous	115,164
Total General Receipts	8,500,825
Change in Net Position	1,358,679
Net Position Beginning of Year	7,174,657
Net Position End of Year	$8,533,336

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, 2022

	General	Service Center Special Programs	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$3,696,319	$4,132,525	$704,492	$8,533,336
Fund Balances				
Restricted	$0	$4,132,525	$188,448	$4,320,973
Committed	0	0	516,044	516,044
Assigned	81,332	0	0	81,332
Unassigned	3,614,987	0	0	3,614,987
Total Fund Balances	$3,696,319	$4,132,525	$704,492	$8,533,336

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, 2022

	General	Service Center Special Programs	Ashtabula County Financing District
Receipts			
Property Taxes	$0	$0	$2,844,308
Intergovernmental	5,479,946	0	91,642
Interest	5,830	6,161	0
Tuition and Fees	910,750	1,717,049	0
Contributions and Donations	5,980	0	0
Charges for Services	1,970,349	0	0
Miscellaneous	115,164	0	0
Total Receipts	8,488,019	1,723,210	2,935,950
Disbursements			
Current:			
Instruction:			
Regular	1,373,631	0	0
Special	2,261,570	2,163,542	0
Adult/Continuing	0	0	0
Student Intervention Services	13,688	0	0
Support Services:			
Pupil	2,606,074	649,045	0
Instructional Staff	345,676	3,250	0
Board of Education	17,753	0	0
Administration	873,101	149,183	0
Fiscal	159,877	101,627	55,606
Operation and Maintenance of Plant	377,813	82,399	0
Pupil Transportation	0	150,683	0
Central	131,509	28,244	0
Operation of Non-Instructional Services	32,847	55,197	0
Extracurricular Activities	1,284	0	0
Capital Outlay	6,938	50,413	0
Total Disbursements	8,201,761	3,433,583	55,606
Excess of Revenues Over (Under) Expenditures	286,258	(1,710,373)	2,880,344
Other Financing Sources (Uses)			
Transfers In	0	2,880,344	0
Transfers Out	0	0	(2,880,344)
Total Other Financing Sources (Uses)	0	2,880,344	(2,880,344)
Net Change in Fund Balances	286,258	1,169,971	0
Fund Balances Beginning of Year	3,410,061	2,962,554	0
Fund Balances End of Year	$3,696,319	$4,132,525	$0

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
$0	$2,844,308
1,842,680	7,414,268
0	11,991
113,440	2,741,239
0	5,980
0	1,970,349
0	115,164
1,956,120	15,103,299
6,614	1,380,245
840,200	5,265,312
144,155	144,155
0	13,688
363,906	3,619,025
14,694	363,620
0	17,753
445,664	1,467,948
18,297	335,407
58,525	518,737
0	150,683
40,238	199,991
40,806	128,850
0	1,284
80,571	137,922
2,053,670	13,744,620
(97,550)	1,358,679
0	2,880,344
0	(2,880,344)
0	0
(97,550)	1,358,679
802,042	7,174,657
$704,492	$8,533,336

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 11,875 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.

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.

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 governmental.

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 and the Service Center special programs and the Ashtabula County Financing District special revenue funds.

> ***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.
>
> ***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.

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 2022, 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.

For 2022, 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 $250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $250 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 2022 was $5,830, which included $636 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 positon 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.

Long-Term Obligations

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

Leases

For fiscal year 2022, GASB Statement No. 87, Leases was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The Service Center is the lessee in a postage lease under noncancelable leases. Lease payables are not reflected under the Service Center's cash basis of accounting. Lease disbursements are recognized when they are paid.

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.

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	Other Governmental Funds	Total
Restricted for				
Special Education	$0	$4,132,525	$0	$4,132,525
Latchkey Program	0	0	8,597	8,597
Bus Driver Training	0	0	179,851	179,851
Total Restricted	0	4,132,525	188,448	4,320,973
Committed to				
Capital Projects	0	0	516,044	516,044
Assigned to				
Public School Support	34,587	0	0	34,587
Purchases on order:				
Instruction	13,322	0	0	13,322
Support Services	33,423	0	0	33,423
Total Assigned	81,332	0	0	81,332
Unassigned	3,614,987	0	0	3,614,987
Total Fund Balances	$3,696,319	$4,132,525	$704,492	$8,533,336

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).

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, $1,340,460 of the Service Center's bank balance of $3,313,688 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, 2022, the Service Center only had an investment of $5,284,756 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 35.3 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.

Note 6 – State Funding

The Service Center, under State law, provides 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 services. The cost of the services is determined by formula under State law. The State Department of Education apportions the costs for all services among the Service Center's city, local and exempted school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Service Center. The Service Center may provide additional 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.

For fiscal year 2022, the Service Center also receives funding from the State Department of Education using a new funding 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. 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 $6.50 times the school district's total student count and remits this amount 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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 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.

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, 2022, are available to finance fiscal year 2023 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 2022 taxes were collected on behalf of the Financing District are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$1,869,576,860	92.51%	$1,879,662,340	92.29%
Public Utility Personal	151,429,300	7.49	156,977,660	7.71
Total	$2,021,006,160	100.00%	$2,036,640,000	100.00%
Full Tax Rate per $1,000 of assessed valuation	$1.50		$1.50	

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" 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	$46,745
Service Center Special Programs	53,926
Other Governmental Funds	41,570
Total	$142,241

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 $19,464 to NEOMIN during fiscal year 2022.

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 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 no contributions in fiscal year 2022. 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.

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

The Service Center foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, all ODE adjustments for fiscal year 2022 have been finalized.

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 (Asset)

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.

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 net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

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 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.

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. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Service Center's contractually required contribution to SERS was $262,163 for fiscal year 2022.

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.

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 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, 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 the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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 on or after July 1, 2013, 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 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Service Center's contractually required contribution to STRS was $645,700 for fiscal year 2022.

Net Pension Liability

The net pension liability was measured as of June 30, 2021, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05418260%	0.03580900%	
Prior Measurement Date	0.05692480%	0.03773814%	
Change in Proportionate Share	-0.00274220%	-0.00192914%	
Proportionate Share of the Net Pension Liability	$1,999,180	$4,578,504	$6,577,684

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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 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.

The most recent experience study was completed for the five year period ended June 30, 2020.

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 rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 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 (7.00 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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Service Center's proportionate share of the net pension liability	$3,326,146	$1,999,180	$880,093

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-retirement 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. 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 June 30, 2021, 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, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Service Center's proportionate share of the net pension liability	$8,573,823	$4,578,504	$1,202,467

Changes Between the Measurement Date and the Reporting Date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (Asset)

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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, 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 2022, this amount was $25,000. 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 2022, the Service Center's surcharge obligation was $43,597.

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 $43,597 for fiscal year 2022.

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 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, 2022, 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, 2021, 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:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05575020%	0.03580900%	
Prior Measurement Date	0.05906130%	0.03773814%	
Change in Proportionate Share	-0.00331110%	-0.00192914%	
Proportionate Share of the:			
Net OPEB Liability	$1,055,119	$0	$1,055,119
Net OPEB (Asset)	$0	($755,004)	($755,004)

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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, 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, 2020.

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 2015 through 2020, and was adopted by the Board in 2021. 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, 7.00 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, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 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 contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the Single Equivalent Interest Rate (SEIR) for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
Service Center's proportionate share of the net OPEB liability	$1,307,419	$1,055,119	$853,562

	1% Decrease (5.75 % decreasing to 3.40%)	Current Trend Rate (6.75 % decreasing to 4.40%)	1% Increase (7.75 % decreasing to 5.40%)
Service Center's proportionate share of the net OPEB liability	$812,355	$1,055,119	$1,379,376

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The 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 7.00 percent as of June 30, 2021, and 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, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability (asset) as of June 30, 2021.

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, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Service Center's proportionate share of the net OPEB asset	($637,106)	($755,004)	($853,489)

	1% Decrease	Current Trend Rate	1% Increase
Service Center's proportionate share of the net OPEB asset	($849,498)	($755,004)	($638,152)

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

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;

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 Transfers

The Ashtabula County Financing District special revenue fund made a nonreciprocal interfund transfer in the amount of $2,880,344 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 2022, the Service Center received $2,880,344 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 2022, the Financing District paid $2,880,344 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, 2021 while the national state of emergency continues. During fiscal year 2022, the Service Center received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Service Center. The impact on the Service Center's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Intergovernmental			$5,479,946	
Interest			5,830	
Tuition and Fees			910,750	
Contributions and Donations			5,655	
Charges for Services			2,985,439	
Miscellaneous			115,164	
Total Receipts			9,502,784	
Disbursements				
Current:				
Instruction:				
Regular	$2,613,566	$1,542,089	1,378,075	$164,014
Special	2,259,509	2,835,412	2,666,584	168,828
Student Intervention Services	40,533	21,533	13,688	7,845
Support Services:				
Pupil	3,396,881	3,590,469	3,034,062	556,407
Instructional Staff	317,627	438,765	347,152	91,613
Board of Education	16,800	28,117	20,448	7,669
Administration	781,002	1,158,330	950,768	207,562
Fiscal	383,487	407,229	280,966	126,263
Operation and Maintenance of Plant	272,761	594,401	384,512	209,889
Central	72,792	213,625	140,040	73,585
Operation of Non-Instructional Services	57,302	57,304	34,147	23,157
Extracurricular Activities	0	501	360	141
Capital Outlay	10,000	26,938	6,938	20,000
Total Disbursements	$10,222,260	$10,914,713	9,257,740	$1,656,973
Net Change in Fund Balance			245,044	
Fund Balance Beginning of Year			3,312,737	
Prior Year Encumbrances Appropriated			62,638	
Fund Balance End of Year			$3,620,419	

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Receipts				
Intergovernmental			$2,880,344	
Interest			6,161	
Tuition and Fees			1,717,049	
Total Receipts			4,603,554	
Disbursements				
Current:				
Instruction:				
Special	$2,515,221	$2,638,457	2,165,860	$472,597
Support Services:				
Pupil	656,686	786,668	694,316	92,352
Instructional Staff	0	3,250	3,250	0
Administration	217,474	165,383	150,381	15,002
Fiscal	104,627	122,705	101,627	21,078
Operation and Maintenance of Plant	384,286	91,728	86,238	5,490
Pupil Transportation	168,048	151,648	150,683	965
Central	15,300	42,000	28,244	13,756
Operation of Non-Instructional Services	51,444	60,834	56,497	4,337
Capital Outlay	0	50,413	50,413	0
Total Disbursements	$4,113,086	$4,113,086	3,487,509	$625,577
Net Change in Fund Balance			1,116,045	
Fund Balance Beginning of Year			2,936,761	
Prior Year Encumbrances Appropriated			25,793	
Fund Balance End of Year			$4,078,599	

See accompanying notes to the supplemental information

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 and the Service Center special programs fund 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 and the Service Center special programs fund.

	General	Service Center Special Programs
Cash Basis	$286,258	$1,169,971
Perspective Differences:		
Public School Support	5,406	0
Adjustment for Encumbrances	(46,620)	(53,926)
Budget Basis	$245,044	$1,116,045

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ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal AL Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Special Education Cluster:			
Special Education Grants to States			
IDEA Part B	84.027A	2021	$64,445
IDEA Part B	84.027A	2022	1,280,820
Parent Mentor Project	84.027	2021	5,339
Parent Mentor Project	84.027	2022	21,216
Parent Mentor Project Supplement	84.027	2021	636
Sub-Total - IDEA, Part B			**1,372,456**
Early Childhood Special Education, IDEA	84.173A	2022	22,184
Sub-Total - Childhood Special Education IDEA			**22,184**
Total - Special Education Cluster			**1,394,640**
Title II, Part A - Improving Teacher Quality	84.367A	2022	**1,200**
Education Stabilization Fund			
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	2021	11,139
COVID-19 - ESSER	84.425D	2022	193,749
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	84.425C	2021	11,761
COVID-19 - GEER	84.425C	2022	123,525
Sub-Total Education Stabilization Fund			**340,174**
Total U.S. Department of Education			**$1,736,014**

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. 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.

OHIO AUDITOR OF STATE
KEITH FABER

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

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 of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, Ashtabula County, (the Service Center) as of and for the year ended June 30, 2022, 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 January 3, 2023, wherein we noted the Service Center uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

Service Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Service Center's response to the finding identified in our audit and described in the accompanying schedule of findings. The Service Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

January 3, 2023

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

Opinion on the Major Federal Program

We have audited Ashtabula County Educational Service Center's (the Service Center) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Ashtabula County Educational Service Center's major federal program for the year ended June 30, 2022. Ashtabula County Educational Service Center's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Ashtabula County Educational Service Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Service Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Service Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Service Center's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Service Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Service Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Service Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Service Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Service Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 3, 2023

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ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022

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

Annual Financial Reporting

FINDING NUMBER 2022-001

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	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 2022-001.	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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Ashtabula County
Educational Service Center

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Phone: (440) 576-9023
www.ashtabulaesc.org
Michael Candela, Superintendent
Mary F. Gillespie, Treasurer

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2022

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	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

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 1/17/2023

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