



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
 SCIOTO COUNTY  
 JUNE 30, 2021**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Fiduciary Net Position- Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Position- Fiduciary Funds .....	18
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability - School Employees Retirement System of Ohio Last Eight Fiscal Years .....	56
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability – School Employees Retirement System of Ohio Last Five Fiscal Years.....	58
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability - State Teachers Retirement System of Ohio Last Eight Fiscal Years.....	60
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Five Fiscal Years .....	62

**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
 SCIOTO COUNTY  
 JUNE 30, 2021**

**TABLE OF CONTENTS  
 (Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of the Educational Service Center's Contributions – School Employees Retirement System of Ohio Last Ten Fiscal Years.....	64
Schedule of the Educational Service Center's Contributions – State Teachers Retirement System of Ohio Last Ten Fiscal Years.....	66
Notes to the Required Supplementary Information.....	69
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	73
Budgetary Notes .....	75
Schedule of Expenditures of Federal Awards.....	77
Notes to the Schedule of Expenditures of Federal Awards .....	78
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	79
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Programs and on Internal Control Over Compliance Required by the Uniform Guidance.....	81
Schedule of Findings.....	83

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

South Central Ohio Educational Service Center  
Scioto County  
522 Glenwood Avenue  
New Boston, Ohio 45662

To the Board of Education:

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

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

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Educational Service Center, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Educational Service Center. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

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

The budgetary schedule presents additional analysis and is not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2022, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
May 27, 2022

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

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The discussion and analysis of the South Central Ohio Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

The Educational Service Center's Net Position decreased \$1,684,981 mainly due to changes in assumptions and benefits associated with the Statewide pension systems.

Customer sales and services revenue increased due to additional programming needs at the districts that the Educational Service Center serves.

The Educational Service Center saw an increase in staff due to increasing personal aides and preschool programs to existing servicing districts.

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

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the South Central Ohio Educational Service Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's major funds with all other nonmajor funds presented in total in one column. The only major fund for the Educational Service Center is the General Fund.

### **Reporting the Educational Service Center as a Whole**

One of the most important questions asked about the Educational Service Center is "How did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities, which appear first in the Educational Service Center's financial statements, report information on the Educational Service Center as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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These two statements report the Educational Service Center's net position and changes in net position. The change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Position and the Statement of Activities, the Educational Service Center has only one kind of activity:

- Governmental Activities – All of the Educational Service Center's educational programs and services are reported here including instruction and support services, which include operation and maintenance of plant and pupil transportation, and non-instructional services.

### **Reporting the Educational Service Center's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the Educational Service Center's major funds begins on page eleven. Fund financial statements provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds.

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

**Fiduciary Funds** – The Educational Service Center's fiduciary funds are custodial funds. All of the Educational Service Center's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Educational Service Center's other financial statements because the Educational Service Center cannot use these assets to finance its operations. Fiduciary funds use the accrual basis of accounting.

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

**The Educational Service Center as a Whole**

Recall that the Statement of Net Position provides the perspective of the Educational Service Center as a whole.

Table 1 provides a summary of the Educational Service Center's net position for fiscal years 2021 and 2020.

Table 1  
Net Position

	Governmental Activities		Increase/ (Decrease)
	2021	2020	
<b><u>Assets:</u></b>			
Current Assets	\$3,823,787	\$3,618,651	\$205,136
Net OPEB Asset	1,036,578	908,347	128,231
Capital Assets, Net	1,460,545	1,399,094	61,451
<i>Total Assets</i>	<u>6,320,910</u>	<u>5,926,092</u>	<u>394,818</u>
<b><u>Deferred Outflows of Resources:</u></b>			
Pension	5,125,402	4,032,711	1,092,691
OPEB	1,008,664	542,754	465,910
<i>Total Deferred Outflows of Resources</i>	<u>6,134,066</u>	<u>4,575,465</u>	<u>1,558,601</u>
<b><u>Liabilities:</u></b>			
Other Liabilities	2,098,547	1,918,900	179,647
Long-Term Liabilities:			
Due Within One Year	115,084	104,713	10,371
Due In More Than One Year:			
Net Pension Liability	20,048,050	16,542,626	3,505,424
Net OPEB Liability	1,888,608	1,885,604	3,004
Other Amounts	1,046,974	1,026,823	20,151
<i>Total Liabilities</i>	<u>25,197,263</u>	<u>21,478,666</u>	<u>3,718,597</u>
<b><u>Deferred Inflows of Resources:</u></b>			
Pension	176,500	829,801	(653,301)
OPEB	2,226,811	1,653,707	573,104
<i>Total Deferred Outflows of Resources</i>	<u>2,403,311</u>	<u>2,483,508</u>	<u>(80,197)</u>
<b><u>Net Position:</u></b>			
Net Investment in Capital Assets	1,460,545	1,399,094	61,451
Restricted	122,186	90,356	31,830
Unrestricted (Deficit)	(16,728,329)	(14,950,067)	(1,778,262)
<i>Total Net Position (Deficit)</i>	<u>(\$15,145,598)</u>	<u>(\$13,460,617)</u>	<u>(\$1,684,981)</u>

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

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The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Educational Service Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets increased \$394,818. This increase is mainly due to an increase in Cash and Cash Equivalents. On a cash basis, intergovernmental revenue, tuition and fees and customer sales and services increased more than cash expenditures, all of which are due to additional program needs of the school districts that the Educational Service Center serves. Total Liabilities increased \$3,718,597 mostly due to the increase in the net pension liability reported by the Statewide pension systems.

Unrestricted Net Position for governmental activities decreased \$1,778,262, resulting from the changes in assumptions and benefits associated with the Statewide pension systems.

Table 2 shows the highlights of the Educational Service Center's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, operating grants, contributions, and interest. General Revenues include unrestricted grants, such as State foundation support, investment earnings and miscellaneous revenues.

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

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2021 and 2020.

Table 2 shows the changes in net position for fiscal years 2021 and 2020.

	Governmental Activities		Increase/ (Decrease)
	2021	2020	
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$14,567,385	\$13,846,153	\$721,232
Operating Grants, Contributions, and Interest	937,989	613,674	324,315
<b>Total Program Revenues</b>	<b>15,505,374</b>	<b>14,459,827</b>	<b>1,045,547</b>
General Revenues:			
Grants and Entitlements not			
Restricted to Specific Programs	998,107	878,591	119,516
Investment Earnings	7,942	57,868	(49,926)
Miscellaneous	27,018	52,330	(25,312)
<i>Total General Revenues</i>	<i>1,033,067</i>	<i>988,789</i>	<i>44,278</i>
<b>Total Revenues</b>	<b>16,538,441</b>	<b>15,448,616</b>	<b>1,089,825</b>
<b>Program Expenses:</b>			
Instruction:			
Regular	1,151,836	562,262	589,574
Special	9,522,162	9,668,642	(146,480)
Adult/Continuing	246,027	220,211	25,816
Support Services:			
Pupils	3,820,804	3,313,783	507,021
Instructional Staff	1,100,251	969,874	130,377
Board of Education	36,043	23,849	12,194
Administration	1,018,642	999,751	18,891
Fiscal	495,013	480,957	14,056
Operation and Maintenance of Plant	332,802	320,175	12,627
Pupil Transportation	6,174	8,972	(2,798)
Central	492,618	359,283	133,335
Operation of Non-Instructional Services	1,050	2,491	(1,441)
<b>Total Expenses</b>	<b>18,223,422</b>	<b>16,930,250</b>	<b>1,293,172</b>
<i>Increase in Net Position</i>	<i>(1,684,981)</i>	<i>(1,481,634)</i>	<i>(\$203,347)</i>
<i>Net Position (Deficit) at Beginning of Year</i>	<i>(13,460,617)</i>	<i>(11,978,983)</i>	<i>(1,481,634)</i>
<b>Net Position (Deficit) at End of Year</b>	<b>(\$15,145,598)</b>	<b>(\$13,460,617)</b>	<b>(\$1,684,981)</b>

**Governmental Activities**

Total program revenues increased \$1,045,547 from the prior fiscal year. This increase was a result

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

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of the Educational Service Center receiving more in charges for tuition and fees and customer sales and services compared to the prior fiscal year as they continue to provide more services to their clients in addition to an increase in intergovernmental revenues from receiving COVID-19 grant monies during the fiscal year.

General revenues represent \$1,033,067 of the Educational Service Center's total revenues, and of this amount, \$998,107 consists of grants and entitlements not restricted to specific programs.

The major program expense for governmental activities is instruction, which accounts for \$10,920,025 of all governmental expenses totaling \$18,223,422. Overall, expenses increased \$1,293,172 primarily due to an increase in staff from offering additional personal aides and preschool programs to existing servicing districts along with changes in assumptions and benefits by the Statewide pension systems.

### **The Educational Service Center's Funds**

The Educational Service Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16,445,205 and expenditures of \$16,458,999.

### **Capital Assets**

At the end of fiscal year 2021, the Educational Service Center had \$1,460,545 invested in capital assets (net of accumulated depreciation), an increase of \$61,451. The increase is due to current year capital asset additions. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

### **Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional information, contact Andrew T. Riehl, Treasurer, South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

**South Central Ohio Educational Service Center**

Statement of Net Position

June 30, 2021

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$3,450,456
Accounts Receivable	1,969
Accrued Interest Receivable	1,546
Intergovernmental Receivable	361,176
Prepaid Items	8,640
Net OPEB Asset	1,036,578
Capital Assets:	
Land	162,702
Depreciable Capital Assets, Net	1,297,843
<i>Total Assets</i>	6,320,910
<b><u>Deferred Outflows of Resources:</u></b>	
Pension	5,125,402
OPEB	1,008,664
<i>Total Deferred Outflows of Resources</i>	6,134,066
<b><u>Liabilities:</u></b>	
Accrued Wages and Benefits Payable	1,735,722
Intergovernmental Payable	318,177
Matured Compensated Absences Payable	44,648
Long-Term Liabilities:	
Due Within One Year	115,084
Due in More Than One Year:	
Net Pension Liability	20,048,050
Net OPEB Liability	1,888,608
Other Amounts	1,046,974
<i>Total Liabilities</i>	25,197,263
<b><u>Deferred Inflows of Resources:</u></b>	
Pension	176,500
OPEB	2,226,811
<i>Total Deferred Inflows of Resources</i>	2,403,311
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	1,460,545
Restricted for:	
Alternative School	10,486
Adult Basic Literacy Education	41,259
Federal Grants	70,441
Unrestricted (Deficit)	(16,728,329)
<i>Total Net Position (Deficit)</i>	(\$15,145,598)

See accompanying notes to the basic financial statements

**South Central Ohio Educational Service Center**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$1,151,836	\$858,576	\$169,025	(\$124,235)
Special	9,522,162	8,647,470	46,873	(827,819)
Adult/Continuing	246,027	0	234,365	(11,662)
Support Services:				
Pupils	3,820,804	3,444,263	69,971	(306,570)
Instructional Staff	1,100,251	704,871	327,570	(67,810)
Board of Education	36,043	0	0	(36,043)
Administration	1,018,642	912,205	69,454	(36,983)
Fiscal	495,013	0	0	(495,013)
Operation and Maintenance of Plant	332,802	0	18,931	(313,871)
Pupil Transportation	6,174	0	0	(6,174)
Central	492,618	0	1,800	(490,818)
Operation of Non-Instructional Services	1,050	0	0	(1,050)
<b>Total Governmental Activities</b>	<b>\$18,223,422</b>	<b>\$14,567,385</b>	<b>\$937,989</b>	<b>(2,718,048)</b>
<b><u>General Revenues :</u></b>				
Grants and Entitlements not				
Restricted to Specific Programs			998,107	
Investment Earnings			7,942	
Miscellaneous			27,018	
<b>Total General Revenues</b>			<b>1,033,067</b>	
Change in Net Position			(1,684,981)	
Net Position (Deficit) at Beginning of Year			(13,460,617)	
Net Position (Deficit) at End of Year			<b>(\$15,145,598)</b>	

See accompanying notes to the basic financial statements



*South Central Ohio Educational Service Center*

Balance Sheet

Governmental Funds

June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$3,437,573	\$12,883	\$3,450,456
Receivables:			
Accounts	1,969	0	1,969
Intergovernmental	170,196	190,980	361,176
Accrued Interest	1,546	0	1,546
Interfund	15,330	0	15,330
Prepaid Items	8,457	183	8,640
<i>Total Assets</i>	<u>\$3,635,071</u>	<u>\$204,046</u>	<u>\$3,839,117</u>
<b><u>Liabilities:</u></b>			
Accrued Wages and Benefits Payable	\$1,686,437	\$49,285	\$1,735,722
Intergovernmental Payable	308,431	9,746	318,177
Interfund Payable	0	15,330	15,330
Matured Compensated Absences Payable	44,648	0	44,648
<i>Total Liabilities</i>	<u>2,039,516</u>	<u>74,361</u>	<u>2,113,877</u>
<b><u>Deferred Inflows of Resources :</u></b>			
Unavailable Revenue	1,298	122,177	123,475
<b><u>Fund Balances:</u></b>			
Nonspendable	8,457	183	8,640
Restricted	0	24,186	24,186
Assigned	433,363	0	433,363
Unassigned (Deficit)	1,152,437	(16,861)	1,135,576
<i>Total Fund Balances</i>	<u>1,594,257</u>	<u>7,508</u>	<u>1,601,765</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,635,071</u>	<u>\$204,046</u>	<u>\$3,839,117</u>

See accompanying notes to the basic financial statements

**South Central Ohio Educational Service Center**  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2021

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**Total Governmental Fund Balances** \$1,601,765

*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	162,702	
Capital assets	1,669,405	
Accumulated depreciation	(371,562)	
Total Capital Assets		1,460,545

Some of the Educational Service Center's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Interest	1,298	
Intergovernmental	122,177	
Total		123,475

The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in governmental funds.

Net OPEB Asset	1,036,578	
Deferred Outflows - Pension	5,125,402	
Deferred Outflows - OPEB	1,008,664	
Net Pension Liability	(20,048,050)	
Net OPEB Liability	(1,888,608)	
Deferred Inflows - Pension	(176,500)	
Deferred Inflows - OPEB	(2,226,811)	
Total		(17,169,325)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(1,162,058)

**Net Position of Governmental Activities** (\$15,145,598)

See accompanying notes to the basic financial statements

**South Central Ohio Educational Service Center**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Intergovernmental	\$998,107	\$825,151	\$1,823,258
Investment Earnings	7,417	0	7,417
Tuition and Fees	12,527,830	0	12,527,830
Customer Sales and Service	2,039,555	0	2,039,555
Contributions and Donations	20,127	0	20,127
Miscellaneous	24,903	2,115	27,018
<i>Total Revenues</i>	<u>15,617,939</u>	<u>827,266</u>	<u>16,445,205</u>
<b><u>Expenditures:</u></b>			
Current:			
Instruction:			
Regular	832,390	136,402	968,792
Special	8,506,053	56,936	8,562,989
Adult/Continuing	2,135	222,229	224,364
Support Services:			
Pupils	3,379,140	69,023	3,448,163
Instructional Staff	706,496	270,424	976,920
Board of Education	33,599	0	33,599
Administration	900,601	56,770	957,371
Fiscal	425,570	0	425,570
Operation and Maintenance of Plant	293,827	18,000	311,827
Pupil Transportation	0	5,161	5,161
Central	459,051	2,900	461,951
Operation of Non-Instructional Services	0	1,050	1,050
Capital Outlay	81,242	0	81,242
<i>Total Expenditures</i>	<u>15,620,104</u>	<u>838,895</u>	<u>16,458,999</u>
<i>Net Change in Fund Balances</i>	(2,165)	(11,629)	(13,794)
<i>Fund Balances at Beginning of Year</i>	<u>1,596,422</u>	<u>19,137</u>	<u>1,615,559</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,594,257</u></u>	<u><u>\$7,508</u></u>	<u><u>\$1,601,765</u></u>

See accompanying notes to the basic financial statements

**South Central Ohio Educational Service Center**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2021

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**Net Change in Fund Balances - Total Governmental Funds** (\$13,794)

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this is the amount by which depreciation exceeded capital outlay:

Capital Asset Additions	107,085	
Current Year Depreciation	(45,634)	
Excess of capital outlay over depreciation expense		61,451

Because some revenues will not be collected for several months after the Educational Service Center's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds.

Deferred inflows of resources changed by these amounts this year:

Intergovernmental	92,711	
Interest	525	
Total		93,236

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	1,553,780	
OPEB	62,701	
Total		1,616,481

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (asset) are reported as pension expense in the Statement of Activities.

Pension	(3,313,212)	
OPEB	(44,668)	
Total		(3,357,880)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Grants cancelled	(53,953)	
Increase in compensated absences payable	(30,522)	
Total		(84,475)

**Change in Net Position of Governmental Activities** (\$1,684,981)

See accompanying notes to the basic financial statements

*South Central Ohio Educational Service Center*  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2021

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	<u>Custodial Funds</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalentts	<u>\$66,173</u>
<b><u>Net Position:</u></b>	
Restricted for Individuals, Organizations and Other Governments	<u>\$66,173</u>

See accompanying notes to the basic financial statements

*South Central Ohio Educational Service Center*  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2021

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	Custodial Funds
<b><u>Additions:</u></b>	
Amounts Received as Fiscal Agent	\$784,461
<b><u>Deductions:</u></b>	
Distributions as Fiscal Agent	777,363
<i>Change in Net Position</i>	7,098
<i>Net Position at Beginning of Year</i>	59,075
<i>Net Position at End of Year</i>	\$66,173

See accompanying notes to the basic financial statements

**South Central Ohio Educational Service Center**

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

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**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY**

The South Central Ohio Educational Service Center (the “Educational Service Center”), is located in Portsmouth, Ohio, the county seat of Scioto County. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Oak Hill, Bloom-Vernon, Clay, Green, Minford, New Boston, Northwest, Valley, Washington-Nile, Wheelersburg, Portsmouth City School District, Paint Valley Local, and Manchester Local School Districts, as well as the Scioto County Career Technical Center. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has 140 classified, 165 certified, and two administrative personnel that provide services to the local, city, and joint vocational school districts.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the South Central Ohio Educational Service Center, this includes general operations and student developmental activities.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization’s governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization’s resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Educational Service Center has no component units.

The Educational Service Center participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as a related organization. Information about these organizations is presented in Note 14 to the basic financial statements. These organizations are:

***South Central Ohio Educational Service Center***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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Jointly Governed Organizations:

Metropolitan Educational Technology Association (META)  
Family and Children First Council of Scioto County  
Coalition of Rural and Appalachian Schools

Public Entity Shared Risk Pool:

Optimal Health Initiatives Consortium

Related Organization:

Scioto County Career Technical Center

The Educational Service Center serves as fiscal agent for the Family and Children First Council of Scioto County. The Family and Children First Council provides services to disadvantaged school age children. This organization is presented as a custodial fund within the Educational Service Center's financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

The Educational Service Center's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the Educational Service Center as a whole. These statements include the financial activities of the Educational Service Center, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The Educational Service Center, however, has no activities which are reported as business-type.

The Statement of Net Position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as



## *South Central Ohio Educational Service Center*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service Center.

### *Fund Financial Statements*

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

### **Fund Accounting**

The Educational 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 Educational Service Center fall within two categories: governmental and fiduciary.

### *Governmental Funds*

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

The following is the Educational Service Center's major governmental fund:

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

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

### *Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics.

## *South Central Ohio Educational Service Center*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Educational Service Center's custodial funds account for various resources held for other organizations and individuals.

### **Measurement Focus**

#### *Government-wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the Educational Service Center are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

#### *Fund Financial Statements*

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

### **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

#### *Revenues - Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within 60 days of fiscal year-end.

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: tuition and fees, customer sales, grants and interest.

*Deferred Outflows/Inflows of Resources:*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service Center, deferred inflows of resources include unavailable revenue and pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are reported on the government wide statement of net position (See Notes 10 and 11) Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes interest and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 14.

*Expenses/Expenditures*

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

***South Central Ohio Educational Service Center***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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**Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2021, the Educational Service Center's investments were limited to STAROhio, a money market mutual fund, and negotiable certificates of deposit. Investments, except for StarOhio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

During fiscal year 2021, the Educational Service Center invested in STAROhio. STAROhio (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. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Educational Service Center measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAROhio 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 Educational Service Center has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$7,417, which includes \$28 assigned from other Educational Service Center funds.

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

**Capital Assets**

The Educational Service Center's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

*South Central Ohio Educational Service Center*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The Educational Service Center maintains a capitalization threshold of \$1,000. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, are depreciated. Depreciation of the buildings is computed using the straight-line method over fifty years. Building improvements and furniture, fixtures and equipment are computed using the straight-line method over five to 20 years.

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probably that benefits will result in termination payments. The liability is an estimate based on the Educational Service Center's past experience of making termination payments.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

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

**Accrued Liabilities and Long-Term Obligations**

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

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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the Statement of Net Position.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of 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 Educational Service Center’s Board. Those committed amounts cannot be used for any other purpose unless the Educational Service Center’s Board removes or changes the specified use by taking the same type of action (resolution)

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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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 Educational 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. In the General Fund, assigned amounts represent amounts assigned by the Treasurer for the encumbered amounts for outstanding obligations. The Treasurer has been given authority to assign amounts for the purposes by the Educational Service Center's Board. The Treasurer assigned fund balance to cover a gap between estimated revenues and appropriations in the 2022 appropriated budget.

*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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which 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.

**Net Position**

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include State grants restricted to expenditures for specified purposes.

The Educational Service Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Estimates**

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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2021, the School District implemented the Governmental Accounting Standards Board’s *Implementation Guide Nos. 2019-1 and 2019-3*. These changes were incorporated in the School District’s fiscal year 2021 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 4 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Education 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 below:

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable:</i></b>			
Prepays	\$8,457	\$183	\$8,640
<b><i>Restricted for:</i></b>			
Alternative School	0	10,486	10,486
Adult Basic Literacy Education	0	12,146	12,146
Federal Grants	0	1,554	1,554
<b><i>Total Restricted</i></b>	<b>0</b>	<b>24,186</b>	<b>24,186</b>
<b><i>Assigned to:</i></b>			
Purchases on Order	125,719	0	125,719
Future Appropriations	307,644	0	307,644
<b><i>Total Assigned</i></b>	<b>433,363</b>	<b>0</b>	<b>433,363</b>
<b><i>Unassigned (Deficit)</i></b>	<b>1,152,437</b>	<b>(16,861)</b>	<b>1,135,576</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,594,257</b>	<b>\$7,508</b>	<b>\$1,601,765</b>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the Educational Service Center treasury. Active monies must be maintained either as cash in the Educational 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 of Education 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



*South Central Ohio Educational Service Center*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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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 five years from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

Interim monies held by the Educational 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;

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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7. The State Treasurer’s investment pool (STAROhio); and
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted, above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

*Investments:* Investments are reported at fair value. As of June 30, 2021, the Educational Service Center had the following investments.

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value per Share:				
STAROhio	\$500,443	Less than one year	AAAm	26.70%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	26,269	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	<u>1,347,883</u>	Less than five years	N/A	71.90%
Total Investments	<u>\$1,874,595</u>			

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Educational Service Center’s recurring fair value measurements as of June 30, 2021. The Money Market Mutual Fund is measured at fair value using quoted market prices (Level 1 inputs). The Educational Service Center’s remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

***South Central Ohio Educational Service Center***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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*Interest Rate Risk*

As a means of limiting its exposure to fair value losses caused by rising interest rates, the Educational Service Center's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the Educational Service Center, the Educational Service Center will not directly invest in securities maturing more than five years from the date of investment.

*Credit Risk*

The Standard and Poor's or Moody's rating of the Educational Service Center's investments is listed in the table above. STAROhio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The fair value of the Educational Service Center's position in the pool is the same as the value of the pool shares. The Educational Service Center's investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or issued by United States Government sponsored enterprises. The Educational Service Center's negotiable CDs are covered by FDIC.

*Concentration of Credit Risk*

The Educational Service Center places no limit on the amount it may invest in any one issuer.

**NOTE 6 - STATE AND LOCAL EDUCATIONAL SERVICE CENTER FUNDING**

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city and local school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's city and local 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 Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of client school districts agree to the services and the apportionment of the costs to all of the client school districts.

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

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2021, consisted of accounts, intergovernmental grants, accrued interest and interfund amounts. All receivables are considered collectible in full due to the stable condition

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b><u>Governmental Activities:</u></b>	
Charges to Local School Districts and Other Governmental Entities	\$170,196
21st Century Grant	64,224
Aspire Instructional Grant	104,629
Early Childhood Special Education, IDEA Grant	110
ESSER Family Engagement Liaisons	8,716
Governors Emergency Education Relief	13,301
Total Intergovernmental Receivable	\$361,176

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance at 6/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/21</u>
<b><u>Governmental Activities:</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$81,460	\$81,242	\$0	\$162,702
Capital Assets Being Depreciated:				
Buildings and Improvements	1,499,314	0	0	1,499,314
Furniture, Fixtures and Equipment	144,248	25,843	0	170,091
Total Capital Assets				
Being Depreciated	1,643,562	25,843	0	1,669,405
Less Accumulated Depreciation:				
Buildings and Improvements	(226,636)	(36,010)	0	(262,646)
Furniture, Fixtures and Equipment	(99,292)	(9,624)	0	(108,916)
Total Accumulated Depreciation	(325,928)	(45,634) *	0	(371,562)
Total Capital Assets Being				
Depreciated, Net	1,317,634	(19,791)	0	1,297,843
Governmental Activities				
Capital Assets, Net	\$1,399,094	\$61,451	\$0	\$1,460,545

\* Depreciation expense was charged to governmental functions as follows:

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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Instruction:	
Regular	\$2,045
Special	21,520
Adult/Continuing	1,018
Support Services:	
Pupils	9,025
Instructional Staff	2,908
Administration	1,723
Fiscal	1,216
Operation and Maintenance of Plant	1,513
Central	4,666
Total Depreciation Expense	<u><u>\$45,634</u></u>

**NOTE 9 - RISK MANAGEMENT**

**Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Educational Service Center contracted with Schools of Ohio Risk Sharing Authority (SORSA) for insurance consulting services. The premium paid to SORSA for fiscal year 2021 was \$13,639. The Educational Service Center also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the Educational Service Center contracted with SORSA for liability, property, and automobile liability insurance coverage and paid its premium to SORSA.

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

**Workers' Compensation**

The Educational Service Center pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Health Care Benefits**

The Educational Service Center participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 14), consisting of school districts whose insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf.

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

**Net Pension Liability/Net OPEB Liability**

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the Educational 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 Educational Service Center’s obligation for this liability to annually required payments. The Educational Service Center cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Educational 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 proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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Care Fund. The Educational Service Center's contractually required contribution to SERS was \$504,679 for fiscal year 2021. Of this amount, \$88,142 is reported as an intergovernmental payable.

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

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

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

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

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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



**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

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

The Educational Service Center's contractually required contribution to STRS was \$1,049,101 for fiscal year 2021. Of this amount, \$146,471 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Current Measurement Date	0.08734090%	0.05898032%	
Proportion of the Net Pension Liability			
Prior Measurement Date	<u>0.07377750%</u>	<u>0.05484386%</u>	
Change in Proportionate Share	<u>0.01356340%</u>	<u>0.00413646%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,776,912	\$14,271,138	\$20,048,050
Pension Expense	\$1,157,297	\$2,155,915	\$3,313,212

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

At June 30, 2021, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$11,222	\$32,021	\$43,243
Changes of assumptions	0	766,084	766,084
Net difference between projected and actual earnings on pension plan investments	366,717	694,007	1,060,724
Changes in proportionate share and difference between Educational Service Center's contributions and proportionate share of contributions	571,459	1,130,112	1,701,571
Educational Service Center's contributions subsequent to the measurement date	<u>504,679</u>	<u>1,049,101</u>	<u>1,553,780</u>
Total Deferred Outflows of Resources	<u>\$1,454,077</u>	<u>\$3,671,325</u>	<u>\$5,125,402</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$0	\$91,254	\$91,254
Changes in proportionate share and difference between Educational Service Center's contributions and proportionate share of contributions	<u>0</u>	<u>85,246</u>	<u>85,246</u>
Total Deferred Outflows of Resources	<u>\$0</u>	<u>\$176,500</u>	<u>\$176,500</u>

\$1,553,780 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$381,750	\$797,082	\$1,178,832
2023	299,978	475,511	775,489
2024	152,856	686,374	839,230
2025	<u>114,814</u>	<u>486,757</u>	<u>601,571</u>
Total	<u>\$949,398</u>	<u>\$2,445,724</u>	<u>\$3,395,122</u>

**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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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(e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

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

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

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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

**Discount Rate**

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

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Educational Service Center's proportionate share of the net pension liability	\$7,913,663	\$5,776,912	\$3,984,136

**Actuarial Assumptions - STRS**

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

**South Central Ohio Educational Service Center**

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

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

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

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

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's share share of the net pension liability	\$20,319,617	\$14,271,138	\$9,145,557

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, one member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 – DEFINED BENEFIT OPEB PLANS**

See Note 10 for a description of the net OPEB liability.

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

Health Care Plan Description - The Educational Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Educational Service Center's surcharge obligation was \$62,701.

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 Educational Service Center's contractually required contribution to SERS was \$62,701 for fiscal year 2021, which is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System of Ohio (STRS)**

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

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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.08689940%	0.05898032%	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.07498060%	0.05484386%	
Change in Proportionate Share	0.01191880%	0.00413646%	
Proportionate Share of the:			
Net OPEB (Asset)	\$0	(\$1,036,578)	(\$1,036,578)
Net OPEB Liability	\$1,888,608	\$0	\$1,888,608
OPEB Expense	\$98,535	(\$53,867)	\$44,668

At June 30, 2021, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$24,805	\$66,419	\$91,224
Changes of assumptions	321,942	17,111	339,053
Net difference between projected and actual earnings on pension plan investments	21,281	36,328	57,609
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	405,025	53,052	458,077
Educational Service Center contributions subsequent to the measurement date	62,701	0	62,701
Total Deferred Outflows of Resources	\$835,754	\$172,910	\$1,008,664



**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

**Deferred Inflows of Resources:**

Differences between expected and actual experience	\$960,490	\$206,472	\$1,166,962
Changes of assumptions	47,570	984,575	1,032,145
Changes in Proportionate Share and Difference between Educational Service Center contributions and proportionate share of contributions:	0	27,704	27,704
Total Deferred Inflows of Resources	<u>\$1,008,060</u>	<u>\$1,218,751</u>	<u>\$2,226,811</u>

\$62,701 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	(\$49,520)	(\$259,908)	(\$309,428)
2023	(47,980)	(235,319)	(283,299)
2024	(48,230)	(226,691)	(274,921)
2025	(46,833)	(231,719)	(278,552)
2026	(33,099)	(43,077)	(76,176)
Thereafter	<u>(9,345)</u>	<u>(49,127)</u>	<u>(58,472)</u>
Total	<u>(\$235,007)</u>	<u>(\$1,045,841)</u>	<u>(\$1,280,848)</u>

**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

**South Central Ohio Educational Service Center**

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

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termination.

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

**Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Discount Rate (2.63%)	1% Increase (3.63%)
Educational Service Center's proportionate share of the net OPEB liability	\$2,311,610	\$1,888,608	\$1,552,323
		Current Trend Rate	
	1% Decrease (6.00 % decreasing to 3.75 %)	(7.00 % decreasing to 4.75 %)	1% Increase (8.00 % decreasing to 5.75 %)
Educational Service Center's proportionate share of the net OPEB liability	\$1,487,135	\$1,888,608	\$2,425,480

**Actuarial Assumptions – STRS**

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

**South Central Ohio Educational Service Center**

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

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

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

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

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

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

**Discount Rate**

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

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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**Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's proportionate share of the net OPEB asset	(\$901,890)	(\$1,036,578)	(\$1,150,856)

  

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	(\$1,143,762)	(\$1,036,578)	(\$906,012)

**NOTE 12 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Support staff earn 5 to 20 days of vacation per fiscal year, depending upon length of service. A maximum of 40 days can be accrued. Accumulated, unused vacation time is paid to classified staff upon termination of employment. Teachers do not earn vacation time.

Teachers and support staff earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all employees.

**Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company.

**Deferred Compensation**

Educational Service Center employees may participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Business Officials Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457.

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2021 were as follows:

	Amount Outstanding 6/30/20	Additions	Deductions	Amount Outstanding 6/30/21	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Net Pension Liability:					
STRS	\$12,128,389	\$2,142,749	\$0	\$14,271,138	\$0
SERS	4,414,237	1,362,675	0	5,776,912	0
Total Net Pension Liability	<u>16,542,626</u>	<u>3,505,424</u>	<u>0</u>	<u>20,048,050</u>	<u>0</u>
Net OPEB Liability:					
SERS	1,885,604	3,004	0	1,888,608	0
Compensated Absences	<u>1,131,536</u>	<u>179,593</u>	<u>149,071</u>	<u>1,162,058</u>	<u>115,084</u>
Total Governmental Activities					
Long-Term Obligations	<u>\$19,559,766</u>	<u>\$3,688,021</u>	<u>\$149,071</u>	<u>\$23,098,716</u>	<u>\$115,084</u>

The Educational Service Center pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund and the Adult Basic Literacy Education, Elementary and Secondary School Emergency Relief, Governor's Emergency Education Relief and Preschool Special Revenue Funds. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: General Fund, the Adult Basic Literacy Education, and State Miscellaneous Grant Special Revenue Funds. For additional information related to the net pension/OPEB liability (asset), see Notes 10 and 11.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND RELATED ORGANIZATION**

**Jointly Governed Organizations**

**Metropolitan Educational Technology Association (META)**

The Educational Service Center is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium and a regional council of governments. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

## *South Central Ohio Educational Service Center*

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each Educational Service Center's degree of control is limited to its representation on the Board. The Educational Service Center paid META \$23,315 for services provided during the fiscal year. Financial information can be obtained from META Solutions, Ashley Widby, CFO, 100 Executive Drive, Marion Ohio 43302.

### *Family and Children First Council of Scioto County*

The Family and Children First Council of Scioto County (the "Council") is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: the director of the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence, and Scioto Counties; the director of the Scioto County Health Department; the director of the City of Portsmouth Health Department; the director of the Scioto County Department of Human Services; the executive director of the Scioto County Children Services; the superintendent of the Scioto County Board of Developmental Disabilities; the Scioto County juvenile court judge; the superintendent of the city, exempted village, or local Educational Service Centers with the largest number of pupils residing in the County; a school superintendent representing all other Educational Service Centers in the County; a representative of the City of Portsmouth; the chair of the Scioto County commissioners; a representative of the regional office of the department of youth services; a representative of the Scioto County Head Start Program; a representative of the County's Early Intervention Collaborative established pursuant to the program; a representative of the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1988" and at least three individuals representing the interest of families in the County. The Council provides services to disadvantage school age children. The Educational Service Center made no contributions to the Council during fiscal year 2021. Continued existence of the Council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding. The Council exercises total control over the operations including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Council. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at 522 Glenwood Avenue, New Boston, Ohio 45662.

### *Coalition of Rural and Appalachian Schools*

The Coalition of Rural and Appalachian Schools (the "Coalition") is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for Educational Service Center administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The Coalition is not dependent

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or a financial responsibility for the Coalition. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The Educational Service Center paid \$325 to the Coalition for services provided during the fiscal year.

**Public Entity Shared Risk Pool**

*Optimal Health Initiatives Consortium*

The Educational Service Center is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. The Council's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Charles Leboeuf CPA, MCM CPAs & Advisors, 201 East Fifth Street, Cincinnati, Ohio 45202.

**Related Organization**

*Scioto County Career Technical Center*

The Scioto County Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a five member Board of Education. Two representatives are appointed by the Portsmouth City School District and three representatives are appointed by the South Central Ohio Educational Service Center. The Scioto County Career Technical Center exposes students to job training, leading to employment upon graduation from high school. There is no financial benefit/burden relationship between the Scioto County Career Technical Center and the South Central Ohio Educational Service Center, nor can the South Central Ohio Educational Service Center impose their will on the Scioto County Career Technical Center.

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2021, interfund receivables and payables resulted from various interfund transactions totaling \$15,330 from the General Fund to Nonmajor Governmental Funds.

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.



**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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**NOTE 16 - CONTINGENCIES**

**Grants**

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2021, if applicable, cannot be determined at this time.

**School Foundation**

Educational 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, additional ODE adjustments for the fiscal year 2021 were finalized. There are no adjustments and no impact on the financial statements.

**Litigation**

The Educational Service Center is not party to any legal proceedings as of June 30, 2021.

**NOTE 17 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

Encumbrances are commitments related to the unperformed contracts for goods for 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 Fund	\$125,719
Nonmajor Governmental Funds	16,139
Total	<u>\$141,858</u>

**NOTE 18 – ACCOUNTABILITY**

At June 30, 2021, the Elementary and Secondary School Emergency Relief and Early Childhood Education Special Revenue Funds had deficit fund balances of \$6,762 and \$10,099, respectively. The deficits in all fund balances were due to accruals in GAAP as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

**South Central Ohio Educational Service Center**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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**NOTE 19 – OHIO DEPARTMENT OF HEALTH GRANTS**

The Educational Service Center receives federal grant monies which are provided through the Ohio Department of Health. The table below shows information pertaining to the grants / programs in which the Educational Service Center participates.

	Maternal, Infant and Early Childhood Home Visiting (MH)
Grant Title	<u>Childhood Home Visiting (MH)</u>
Federal Awarding Agency	Department of Health & Health Services and Resources Administration
Pass-Thru Entity	Ohio Department of Health
CFDA Number	93.870
Project Numbers	07350011MH0921 07350011MH0820
Reimbursement Amount	\$111,447.31

**NOTE 20 – COVID 19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Educational Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The Educational Service Center’s investment portfolio and the investments of the pension and other employee benefit plans in which the Educational Service Center participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Educational Service Center’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**NOTE 21 – SUBSEQUENT EVENTS**

On July 9, 2021, the Board approved a construction loan for \$1,100,000 at an interest rate of 1.65% over 10 years for the construction of the Childhood Development Center and an exterior elevator and stairs to the South Central Ohio Educational Service Center Business Center.

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

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**South Central Ohio Educational Service Center**  
 Required Supplementary Information  
 Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Eight Fiscal Years (1)

	2021	2020	2019
Educational Service Center's Proportion of the Net Pension Liability	0.08734090%	0.07377750%	0.06815190%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$5,776,912	\$4,414,237	\$3,903,186
Educational Service Center's Covered Payroll	\$3,278,871	\$2,577,689	\$2,355,067
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	176.19%	171.25%	165.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.06688510%	0.06479070%	0.05866760%	0.05581100%	0.05581100%
\$3,996,237	\$4,742,080	\$3,347,631	\$2,824,563	\$3,318,901
\$2,183,807	\$1,998,793	\$1,815,207	\$1,671,802	\$1,493,893
182.99%	237.25%	184.42%	168.95%	222.16%
69.50%	62.98%	69.16%	71.70%	65.52%

**South Central Ohio Educational Service Center**  
 Required Supplementary Information  
 Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.08689940%	0.07498060%	0.06860520%	0.06759860%	0.06530290%
Educational Service Centers's Proportionate Share of the Net OPEB Liability	\$1,888,608	\$1,885,604	\$1,903,293	\$1,814,169	\$1,861,374
Educational Sevice Center's Covered Payroll	\$3,278,871	\$2,577,689	\$2,355,067	\$2,183,807	\$1,998,793
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	57.60%	73.15%	80.82%	83.07%	93.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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**South Central Ohio Educational Service Center**  
 Required Supplementary Information  
 Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net Pension Liability	0.05898032%	0.05484386%	0.05147062%	0.05263676%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$14,271,138	\$12,128,389	\$11,317,234	\$12,503,976
Educational Service Center's Covered Payroll	\$7,424,379	\$6,443,564	\$6,036,021	\$5,733,771
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	192.22%	188.22%	187.49%	218.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information



2017	2016	2015	2014
0.05128086%	0.05074331%	0.04969142%	0.04969142%
\$17,165,250	\$14,023,966	\$12,086,673	\$14,397,566
\$5,349,371	\$5,341,821	\$5,080,377	\$5,024,046
320.88%	262.53%	237.91%	286.57%
66.80%	72.10%	74.70%	69.30%

**South Central Ohio Educational Service Center**  
 Required Supplementary Information  
 Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)  
 State Teachers Retirement System of Ohio  
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.05898032%	0.05484386%	0.05147062%	0.05263676%	0.05128086%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,036,578)	(\$908,347)	(\$827,080)	\$2,053,692	\$2,742,514
Educational Service Center's Covered Payroll	\$7,424,379	\$6,443,564	\$6,036,021	\$5,733,771	\$5,349,371
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-13.96%	-14.10%	-13.70%	35.82%	51.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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**South Central Ohio Educational Service Center**  
Required Supplementary Information  
Schedule of the Educational Service Center's Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years

	2021	2020	2019	2018
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$504,679	\$459,042	\$347,988	\$317,934
Contributions in Relation to the Contractually Required Contribution	(504,679)	(459,042)	(347,988)	(317,934)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center Covered Payroll (1)	\$3,604,850	\$3,278,871	\$2,577,689	\$2,355,067
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	62,701	38,165	55,716	46,463
Contributions in Relation to the Contractually Required Contribution	(62,701)	(38,165)	(55,716)	(46,463)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.74%</u>	<u>1.16%</u>	<u>2.16%</u>	<u>1.97%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.74%</u>	<u>15.16%</u>	<u>15.66%</u>	<u>15.47%</u>

(1) The Educational Service Center's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$305,733	\$278,831	\$239,244	\$231,712	\$206,755	\$202,403
(305,733)	(278,831)	(239,244)	(231,712)	(206,755)	(202,403)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,183,807	\$1,998,793	\$1,815,207	\$1,671,802	\$1,493,893	\$1,504,858
14.00%	13.95%	13.18%	13.86%	13.84%	13.45%
35,574	31,519	45,305	30,034	27,998	30,062
(35,574)	(31,519)	(45,305)	(30,034)	(27,998)	(30,062)
\$0	\$0	\$0	\$0	\$0	\$0
1.63%	1.58%	2.50%	1.80%	1.87%	2.00%
15.63%	15.53%	15.68%	15.66%	15.71%	15.45%

**South Central Ohio Educational Service Center**  
 Required Supplementary Information  
 Schedule of the Educational Service Center's Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2021	2020	2019	2018
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,049,101	\$1,039,413	\$902,099	\$845,043
Contributions in Relation to the Contractually Required Contribution	<u>(1,049,101)</u>	<u>(1,039,413)</u>	<u>(902,099)</u>	<u>(845,043)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center Covered Payroll	\$7,493,579	\$7,424,379	\$6,443,564	\$6,036,021
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$802,728	\$748,912	\$747,855	\$660,449	\$653,126	\$599,943
<u>(802,728)</u>	<u>(748,912)</u>	<u>(747,855)</u>	<u>(660,449)</u>	<u>(653,126)</u>	<u>(599,943)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,733,771	\$5,349,371	\$5,341,821	\$5,080,377	\$5,024,046	\$4,614,946
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$50,804	\$50,240	\$46,149
<u>0</u>	<u>0</u>	<u>0</u>	<u>(50,804)</u>	<u>(50,240)</u>	<u>(46,149)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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**South Central Ohio Educational Service Center**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2021

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**Net Pension Liability**

**Changes in Benefit Terms - SERS**

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

**Changes in Assumptions – SERS**

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

**Changes in Assumptions - SERS**

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

**South Central Ohio Educational Service Center**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2021**

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Net OPEB Liability**

**Changes in Assumptions – SERS**

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

**South Central Ohio Educational Service Center**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2021**

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

- In fiscal year 2021, the discount rate was changed from 3.22% to 2.63%.
- In fiscal year 2020, the discount rate was changed from 3.70% to 3.22%
- In fiscal year 2019, the discount rate was changed from 3.63% to 3.70%. The health care trend rates were also updated.
- In fiscal year 2018, the discount rate was change from 2.98% to 3.63%.
- In fiscal year 2017, the following assumptions were changed:
  - Assumed rate of inflation was reduced from 3.25% to 3.00%
  - Payroll Growth Assumption was reduced from 4.00% to 3.50%
  - Assumed real wage growth was reduced from 0.75% to 0.50%
  - Rates of withdrawal, retirement and disability were updated to reflect recent experience.
  - Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
  - Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
  - Mortality among disabled members was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**South Central Ohio Educational Service Center**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2021

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For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**Changes in Benefit Terms – STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**South Central Ohio Educational Service Center**  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2021

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b><u>Revenues:</u></b>				
Intergovernmental	\$910,596	\$998,107	\$998,107	\$0
Investment Earnings	14,000	21,319	21,319	0
Tuition and Fees	12,736,720	12,598,467	12,598,467	0
Customer Sales and Service	2,005,384	1,898,947	1,898,947	0
Contributions and Donations	40,000	20,127	20,127	0
<i>Total Revenues</i>	<u>15,706,700</u>	<u>15,536,967</u>	<u>15,536,967</u>	<u>0</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	383,575	748,349	748,349	0
Special	9,201,361	8,484,343	8,484,343	0
Adult/Continuing	6,000	2,935	2,935	0
Support Services:				
Pupils	3,177,561	3,337,865	3,337,865	0
Instructional Staff	872,604	718,784	718,784	0
Board of Education	33,644	38,807	38,807	0
Administration	911,211	907,378	907,378	0
Fiscal	413,704	421,425	421,425	0
Operation and Maintenance of Plant	290,719	352,976	352,976	0
Central	352,352	506,804	506,804	0
Capital Outlay	40,000	81,242	81,242	0
<i>Total Expenditures</i>	<u>15,682,731</u>	<u>15,600,908</u>	<u>15,600,908</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>23,969</u>	<u>(63,941)</u>	<u>(63,941)</u>	<u>0</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	15,000	24,903	24,903	0
Refund of Prior Year Receipts	0	(4,630)	(4,630)	0
Advances In	169,383	214,845	214,845	0
Advances Out	(152,655)	(179,155)	(179,155)	0
<i>Total Other Financing Sources (Uses)</i>	<u>31,728</u>	<u>55,963</u>	<u>55,963</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	55,697	(7,978)	(7,978)	0
<i>Fund Balance at Beginning of Year</i>	3,215,731	3,215,731	3,215,731	0
Prior Year Encumbrances Appropriated	79,218	79,218	79,218	0
<i>Fund Balance at End of Year</i>	<u>\$3,350,646</u>	<u>\$3,286,971</u>	<u>\$3,286,971</u>	<u>\$0</u>

See accompanying budgetary notes

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*South Central Ohio Educational Service Center*

Budgetary Notes

For the Fiscal Year Ended June 30, 2021

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**NOTE 1 - BUDGETARY PROCESS**

The Educational Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center's Board does follow the budgetary process for control purposes.

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

The Educational Service Center's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board. Before fiscal year end, the Educational Service Center requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Governing Board during the fiscal year. Prior to fiscal year-end, the Educational Service Center passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**South Central Ohio Educational Service Center**

Budgetary Notes

For the Fiscal Year Ended June 30, 2021

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balances	
	General
GAAP Basis	(\$2,165)
Adjustments:	
Revenue Accruals	(69,572)
Expenditure Accruals	140,285
Increase in Fair Value of Investments - FY 2021	(24,883)
Increase in Fair Value of Investments - FY 2020	38,386
Encumbrances	(125,719)
Advances	35,690
Budget Basis	(\$7,978)



SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Grant Year or Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF TREASURY</b>				
<i>Passed Through Ohio Department of Education</i>				
COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity	21.019	2021	\$ -	\$ 34,016
<i>Passed thru Scioto County</i>				
COVID-19 Coronavirus Relief Fund	21.019	2021	0	30,292
Total COVID-19 Coronavirus Relief Fund			0	64,308
Total U.S. Department of Treasury			0	64,308
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Adult Education - Basic Grants to States	84.002	2020 2021	0 0	22,189 226,924
Total Adult Education - Basic Grants to States			0	249,113
Special Education Cluster:				
Special Education Preschool Grants	84.173	2021	0	46,837
Total Special Education Cluster			0	46,837
Twenty-First Century Community Learning Centers	84.287	2020 2021	0 0	5,510 189,709
Total Twenty-First Century Community Learning Centers			0	195,219
COVID-19 Education Stabilization Fund				
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	2021	0	56,203
COVID-19 Governor's Emergency Education Relief Fund (GEER-FASFA)	84.425C	2021	0	11,438
COVID-19 Facemasks for Schools	84.425D	2021	0	1,100
COVID-19 ESC Family Engagement Liasons	84.425D	2021	0	31,700
Total COVID-19 Education Stabilization Fund			0	100,441
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Special Education - Grants for Infants and Families	84.181	H181A180024	0	103,393
Total U.S. Department of Education			0	695,003
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>				
MaryLee Allen Promoting Safe and Stable Families	93.556	5AU-21-C0073-2	0	12,179
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-21-C0073-2	0	3,800
<i>Passed Through Ohio Department of Health</i>				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	07350011MH0820 07350011MH0921	0 0	36,049 78,996
Total Maternal, Infant and Early Childhood Home Visiting Grant			0	115,045
Total U.S. Department of Health and Human Services			0	131,024
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 890,335</b>

The accompanying notes are an integral part of this schedule.

**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

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

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



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

South Central Ohio Educational Service Center  
Scioto County  
522 Glenwood Avenue  
New Boston, Ohio 45662

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the South Central Ohio Educational Service Center, Scioto County, (the Educational Service Center) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated May 27, 2022. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Educational Service Center.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
May 27, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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

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

South Central Ohio Educational Service Center  
Scioto County  
522 Glenwood Avenue  
New Boston, Ohio 45662

To the Board of Education:

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

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

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

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

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

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

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

***Opinion on the Major Federal Programs***

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

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
May 27, 2022

**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Adult Education – Basic Grants to States – Federal AL- #84.002  Twenty-First Century Community Learning Centers – Federal AL- #84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





# OHIO AUDITOR OF STATE KEITH FABER



**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER**

**SCIOTO 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 6/14/2022**

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

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