OHIO AUDITOR OF STATE
KEITH FABER

SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SCIOTO COUNTY
JUNE 30, 2022

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SCIOTO COUNTY
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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 of the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Ohio Educational Service Center, Scioto County, Ohio (Educational Service Center), as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Ohio Educational Service Center, Scioto County, Ohio, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Educational Service Center's basic financial statements. The budgetary schedule and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Educational Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio
February 9, 2023

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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, 2022. 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 an increased $1,471,006.

The Educational Service Center saw an increase in staff due to additional services during the fiscal year.

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 2022?" 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.

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 ten. 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.

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 2022 and 2021.

Table 1
Net Position

	Governmental Activities		
	2022	2021	Increase/ (Decrease)
Assets:			
Current Assets	$3,963,176	$3,823,787	$139,389
Net OPEB Asset	1,272,024	1,036,578	235,446
Capital Assets, Net	3,066,416	1,460,545	1,605,871
Total Assets	8,301,616	6,320,910	1,980,706
Deferred Outflows of Resources:			
Pension	6,364,766	5,125,402	1,239,364
OPEB	1,305,888	1,008,664	297,224
Total Deferred Outflows of Resources	7,670,654	6,134,066	1,536,588
Liabilities:			
Other Liabilities	2,595,396	2,098,547	496,849
Long-Term Liabilities:			
Due Within One Year	223,124	115,084	108,040
Due In More Than One Year:			
Net Pension Liability	11,454,997	20,048,050	(8,593,053)
Net OPEB Liability	1,965,624	1,888,608	77,016
Other Amounts	1,988,946	1,046,974	941,972
Total Liabilities	18,228,087	25,197,263	(6,969,176)
Deferred Inflows of Resources:			
Pension	8,762,652	176,500	8,586,152
OPEB	2,656,123	2,226,811	429,312
Total Deferred Outflows of Resources	11,418,775	2,403,311	9,015,464
Net Position:			
Net Investment in Capital Assets	1,893,933	1,460,545	433,388
Restricted	12,551	122,186	(109,635)
Unrestricted (Deficit)	(15,581,076)	(16,728,329)	1,147,253
Total Net Position (Deficit)	($13,674,592)	($15,145,598)	$1,471,006

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2022. 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 $1,980,706. The increase is mainly due to the increase in capital assets, net from work in progress on Childhood Development Center. Total Liabilities decreased $6,969,176 mainly due to a decrease in net pension liability due to the State-wide pension systems' changes in assumptions offset by changes in net investment income. Deferred inflows of resources increased mainly due to the difference between projected and actual earnings on pension plan investments.

Unrestricted Net Position for governmental activities increased $1,147,253, mainly from decrease in net pension liability.

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.

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 2022 and 2021.

Table 2 shows the changes in net position for fiscal years 2022 and 2021.

Table 2
Change in Net Position

	Governmental Activities		Increase/
	2022	2021	(Decrease)
Revenues:			
Program Revenues:			
Charges for Services	$18,638,127	$14,567,385	$4,070,742
Operating Grants, Contributions, and Interest	978,784	937,989	40,795
Total Program Revenues	19,616,911	15,505,374	4,111,537
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	779,638	998,107	(218,469)
Investment Earnings	(45,153)	7,942	(53,095)
Miscellaneous	1,348	27,018	(25,670)
Total General Revenues	735,833	1,033,067	(297,234)
Total Revenues	20,352,744	16,538,441	3,814,303
Program Expenses:			
Instruction:			
Regular	1,576,528	1,151,836	424,692
Special	8,828,482	9,522,162	(693,680)
Adult/Continuing	244,059	246,027	(1,968)
Support Services:			
Pupils	4,191,189	3,820,804	370,385
Instructional Staff	1,202,028	1,100,251	101,777
Board of Education	36,922	36,043	879
Administration	904,730	1,018,642	(113,912)
Fiscal	393,907	495,013	(101,106)
Operation and Maintenance of Plant	316,184	332,802	(16,618)
Pupil Transportation	4,645	6,174	(1,529)
Central	1,161,616	492,618	668,998
Operation of Non-Instructional Services	5,001	1,050	3,951
Interest and Fiscal Charges	16,447	0	16,447
Total Expenses	18,881,738	18,223,422	658,316
Change in Net Position	1,471,006	(1,684,981)	$3,155,987
Net Position (Deficit) at Beginning of Year	(15,145,598)	(13,460,617)	(1,684,981)
Net Position (Deficit) at End of Year	($13,674,592)	($15,145,598)	$1,471,006

Governmental Activities

Total program revenues increased $4,111,537 from the prior fiscal year. This increase was a result 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.

General revenues represent $735,833 of the Educational Service Center's total revenues, and of this amount, $779,638 consists of grants and entitlements not restricted to specific programs.

The major program expense for governmental activities is instruction, which accounts for $10,649,069 of all governmental expenses totaling $18,881,738. Overall, expenses increased $658,316 primarily due to an increase in staff.

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 $20,465,915 and expenditures of $21,810,204.

There was an ending fund balance of $1,362,992 in the General Fund which was a slight decrease from previous year due to an increase in services offered and costs incurred by the Educational Service Center.

Debt Administration

At June 30, 2022, the Educational Service Center had $999,167 in total outstanding debt consisting of a loan payable on a Childhood Development Business Center, an exterior elevator and stairs to the Educational Service Center. For more information on debt administration, refer to Note 13 of the notes to the basic financial statements.

Capital Assets

At the end of fiscal year 2022, the Educational Service Center had $3,066,416 invested in capital assets (net of accumulated depreciation), an increase of $1,605,871. 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, 2022

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$3,530,982
Accounts Receivable	89,644
Accrued Interest Receivable	319
Intergovernmental Receivable	331,304
Prepaid Items	10,927
Net OPEB Asset	1,272,024
Capital Assets:	
Land and Construction in Progress	1,603,611
Depreciable Capital Assets, Net	1,462,805
Total Assets	8,301,616
Deferred Outflows of Resources:	
Pension	6,364,766
OPEB	1,305,888
Total Deferred Outflows of Resources	7,670,654
Liabilities:	
Accounts Payable	10,361
Contracts Payable	52,226
Accrued Wages and Benefits Payable	1,979,131
Intergovernmental Payable	411,958
Retainage Payable	121,090
Matured Compensated Absences Payable	9,840
Unearned Revenue	10,790
Long-Term Liabilities:	
Due Within One Year	223,124
Due in More Than One Year:	
Net Pension Liability	11,454,997
Net OPEB Liability	1,965,624
Other Amounts	1,988,946
Total Liabilities	18,228,087
Deferred Inflows of Resources:	
Pension	8,762,652
OPEB	2,656,123
Total Deferred Inflows of Resources	11,418,775
Net Position:	
Net Investment in Capital Assets	1,893,933
Restricted for:	
Alternative School	10,486
Preschool	2,065
Unrestricted (Deficit)	(15,581,076)
Total Net Position (Deficit)	($13,674,592)

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$1,576,528	$1,609,456	$58,905	$91,833
Special	8,828,482	10,773,703	77,931	2,023,152
Adult/Continuing	244,059	0	217,374	(26,685)
Support Services:				
Pupils	4,191,189	5,082,847	135,973	1,027,631
Instructional Staff	1,202,028	0	440,786	(761,242)
Board of Education	36,922	0	0	(36,922)
Administration	904,730	0	30,248	(874,482)
Fiscal	393,907	0	0	(393,907)
Operation and Maintenance of Plant	316,184	0	15,767	(300,417)
Pupil Transportation	4,645	0	0	(4,645)
Central	1,161,616	1,172,121	1,800	12,305
Operation of Non-Instructional Services	5,001	0	0	(5,001)
Interest and Fiscal Charges	16,447	0	0	(16,447)
Total Governmental Activities	$18,881,738	$18,638,127	$978,784	735,173

***General Revenues*:**	
Grants and Entitlements not Restricted to Specific Programs	779,638
Investment Earnings	(45,153)
Miscellaneous	1,348
Total General Revenues	735,833
Change in Net Position	1,471,006
Net Position (Deficit) at Beginning of Year	(15,145,598)
Net Position (Deficit) at End of Year	($13,674,592)

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$3,509,102	$21,880	$3,530,982
Receivables:			
Accounts	89,644	0	89,644
Intergovernmental	299,667	31,637	331,304
Accrued Interest	319	0	319
Interfund	659	0	659
Prepaid Items	10,713	214	10,927
Total Assets	$3,910,104	$53,731	$3,963,835
Liabilities:			
Accounts Payable	$1,535	$8,826	$10,361
Contracts Payable	52,226	0	52,226
Accrued Wages and Benefits Payable	1,955,466	23,665	1,979,131
Intergovernmental Payable	406,636	5,322	411,958
Interfund Payable	0	659	659
Retainage Payable	121,090		121,090
Matured Compensated Absences Payable	9,840	0	9,840
Unearned Revenue	0	10,790	10,790
Total Liabilities	2,546,793	49,262	2,596,055
Deferred Inflows of Resources **:**			
Unavailable Revenue	319	9,985	10,304
Fund Balances:			
Nonspendable	10,713	214	10,927
Restricted	0	15,386	15,386
Committed	16,007	0	16,007
Unassigned (Deficit)	1,336,272	(21,116)	1,315,156
Total Fund Balances (Deficit)	1,362,992	(5,516)	1,357,476
Total Liabilities and Fund Balances	$3,910,104	$53,731	$3,963,835

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, 2022

Total Governmental Fund Balances		$1,357,476
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.		3,066,416
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	319	
Intergovernmental	9,985	
Total		10,304
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	1,272,024	
Deferred Outflows - Pension	6,364,766	
Deferred Outflows - OPEB	1,305,888	
Net Pension Liability	(11,454,997)	
Net OPEB Liability	(1,965,624)	
Deferred Inflows - Pension	(8,762,652)	
Deferred Inflows - OPEB	(2,656,123)	
Total		(15,896,718)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Loans Payable	(999,167)	
Compensated absences	(1,212,903)	
Total liabilities		(2,212,070)
Net Position of Governmental Activities		($13,674,592)

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, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Intergovernmental	$779,638	$1,068,146	$1,847,784
Investment Earnings	(44,174)	0	(44,174)
Tuition and Fees	15,986,647	0	15,986,647
Customer Sales and Service	2,651,480	0	2,651,480
Contributions and Donations	22,830	0	22,830
Miscellaneous	1,348	0	1,348
Total Revenues	19,397,769	1,068,146	20,465,915
Expenditures:			
Current:			
Instruction:			
Regular	1,536,684	94,783	1,631,467
Special	9,409,708	78,930	9,488,638
Adult/Continuing	17,423	249,722	267,145
Support Services:			
Pupils	4,415,485	140,369	4,555,854
Instructional Staff	809,797	439,642	1,249,439
Board of Education	36,922	0	36,922
Administration	898,676	48,247	946,923
Fiscal	396,283	0	396,283
Operation and Maintenance of Plant	289,145	18,000	307,145
Pupil Transportation	0	4,676	4,676
Central	1,193,317	1,800	1,195,117
Operation of Non-Instructional Services	0	5,001	5,001
Capital Outlay	1,608,314	0	1,608,314
Debt Service:			
Principal Retirement	100,833	0	100,833
Interest and Fiscal Charges	16,447	0	16,447
Total Expenditures	20,729,034	1,081,170	21,810,204
Excess of Revenues Under Expenditures	(1,331,265)	(13,024)	(1,344,289)
Other Financing Sources:			
Loan Proceeds	1,100,000	0	1,100,000
Net Change in Fund Balances	(231,265)	(13,024)	(244,289)
Fund Balances at Beginning of Year	1,594,257	7,508	1,601,765
Fund Balances (Deficit) at End of Year	$1,362,992	($5,516)	$1,357,476

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, 2022

Net Change in Fund Balances - Total Governmental Funds		($244,289)
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	209,236	
Construction in progress additions	1,440,151	
Current Year Depreciation	(43,516)	
Excess of capital outlay over depreciation expense		1,605,871
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:		
Interest	(979)	
Intergovernmental	(112,192)	
Total		(113,171)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	2,211,948	
OPEB	77,251	
Total		2,289,199
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	(965,683)	
OPEB	(50,909)	
Total		(1,016,592)
The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Position, the debt is reported as a liability.		
Proceeds of loans payable		(1,100,000)
Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Loan principal retirement		100,833
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:		
Increase in compensated absences payable		(50,845)
Change in Net Position of Governmental Activities		$1,471,006

See accompanying notes to the basic financial statements

South Central Ohio Educational Service Center

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Custodial Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	$92,387
Net Position:	
Restricted for Individuals, Organizations and Other Governments	$92,387

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, 2022

	Custodial Funds
<u>Additions</u>:	
Amounts Received as Fiscal Agent	$804,689
<u>Deductions</u>:	
Distributions as Fiscal Agent	778,475
Change in Net Position	26,214
Net Position at Beginning of Year	66,173
Net Position at End of Year	$92,387

See accompanying notes to the basic financial statements

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 146 classified, 185 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:

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 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. 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.

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 asset 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 asset 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.

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 2022, 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 2022, 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 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of $100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction 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 credited to the General Fund during 2022 amounted to ($44,174), which includes ($1,393) assigned from other School Districts 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.

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 and construction in progress, 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 probable 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. Loans are recognized as a liability on the governmental fund financial statements when due.

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, 2022, 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) 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.

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Educational Service Center recognizes unearned revenue for intergovernmental revenue received before the eligibility requirements are met.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2022, the Educational Service Center implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, Leases.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Educational Service Center did not have any contracts that met the GASB 87 definition of a lease.

The Educational Service Center is implementing Implementation Guide No. 2020-1, GASB Statement No. 92 –Omnibus 2020, and GASB Statement No. 97 -- Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. These changes were incorporated in the Educational Service Center's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2022, the Educational Service Center modified its approach related to the eligibility requirements of certain Educational Service Center grants; 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
Nonspendable:			
Prepaids	$10,713	$214	$10,927
Restricted for:			
Alternative School	0	10,486	10,486
Preschool	0	4,900	4,900
Total Restricted	0	15,386	15,386
Committed to			
Other Purposes	16,007	0	16,007
Unassigned (Deficit)	1,336,272	(21,116)	1,315,156
Total Fund Balances (Deficit)	$1,362,992	($5,516)	$1,357,476

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 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;

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, 2022, 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	$125,883	Less than one year	AAAm	17.85%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	29,514	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	549,775	Less than five years	N/A	77.96%
Total Investments	$705,172			

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, 2022. 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).

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

For fiscal year 2022, the Educational Service Center also receives funding from the State Department of Education using a new funding model which is based on student count. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Educational Service Center's local and client school districts an amount equal to $6.50 times the school district's total student count and remits this amount to the Educational Service Center.

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2022, consisted of accounts, intergovernmental grants, accrued interest and interfund amounts. All receivables are considered collectible in full due to the stable condition 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:

	Amounts
Governmental Activities:	
Charges to Local School Districts and Other Governmental Entities	$299,667
21st Century Grant	6,929
Aspire Instructional Grant	22,418
High Schools That Work Grant	2,290
Total Intergovernmental Receivable	$331,304

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at 6/30/21	Additions	Deductions	Balance at 6/30/22
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$162,702	$758	$0	$163,460
Construction in Progress	0	1,440,151	0	1,440,151
Total Capital Assets Not Being Depreciated	162,702	1,440,909	0	1,603,611
Capital Assets Being Depreciated:				
Buildings and Improvements	1,499,314	0	0	1,499,314
Furniture, Fixtures and Equipment	170,091	208,478	0	378,569
Total Capital Assets Being Depreciated	1,669,405	208,478	0	1,877,883
Less Accumulated Depreciation:				
Buildings and Improvements	(262,646)	(36,009)	0	(298,655)
Furniture, Fixtures and Equipment	(108,916)	(7,507)	0	(116,423)
Total Accumulated Depreciation	(371,562)	(43,516) *	0	(415,078)
Total Capital Assets Being Depreciated, Net	1,297,843	164,962	0	1,462,805
Governmental Activities Capital Assets, Net	$1,460,545	$1,605,871	$0	$3,066,416

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$3,702
Special	21,931
Adult/Continuing	1,001
Support Services:	
Pupils	7,160
Instructional Staff	1,827
Administration	983
Fiscal	464
Operation and Maintenance of Plant	1,659
Central	4,789
Total Depreciation Expense	$43,516

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 2022, 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 2022 was $16,735. 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.

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) represents 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 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $723,178 for fiscal year 2022. Of this amount, $198,745 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.

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

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

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contribution to STRS was $1,488,770 for fiscal year 2022. Of this amount, $388,600 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, 2021, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Current Measurement Date	0.10139470%	0.060330734%	
Prior Measurement Date	0.08734090%	0.058980320%	
Change in Proportionate Share	0.01405380%	0.001350414%	
Proportionate Share of the Net Pension Liability	$3,741,170	$7,713,827	$11,454,997
Pension Expense	$631,756	$333,927	$965,683

At June 30, 2022, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$361	$238,320	$238,681
Changes of assumptions	78,778	2,139,954	2,218,732
Changes in proportionate share and difference between Educational Service Center's contributions and proportionate share of contributions	731,276	964,129	1,695,405
Educational Service Center's contributions subsequent to the measurement date	723,178	1,488,770	2,211,948
Total Deferred Outflows of Resources	$1,533,593	$4,831,173	$6,364,766
Deferred Inflows of Resources:			
Differences between expected and actual experience	$97,024	$48,350	$145,374
Net difference between projected and actual earnings on pension plan investments	1,926,812	6,647,842	8,574,654
Changes in proportionate share and difference between Educational Service Center's contributions and proportionate share of contributions	0	42,624	42,624
Total Deferred Inflows of Resources	$2,023,836	$6,738,816	$8,762,652

$2,211,948 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	$55,749	($785,953)	($730,204)
2024	(219,630)	(571,238)	(790,868)
2025	(458,126)	(772,624)	(1,230,750)
2026	(591,414)	(1,266,598)	(1,858,012)
Total	($1,213,421)	($3,396,413)	($4,609,834)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

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

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

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

Discount Rate

The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	$6,224,389	$3,741,170	$1,646,964

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's share share of the net pension liability	$14,445,110	$7,713,827	$2,025,906

Changes Between the Measurement Date and the Reporting Date

In February 2022, the Board approved changes to demographic measures that will impact the June

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

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, 2022, 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. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Educational Service Center's surcharge obligation was $77,251.

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 $77,251 for fiscal year 2022, all of 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 or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), 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, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The 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	0.10385940%	0.060330734%	
Prior Measurement Date	0.08689940%	0.058980320%	
Change in Proportionate Share	0.01696000%	0.001350414%	
Proportionate Share of the:			
Net OPEB (Asset)	$0	($1,272,024)	($1,272,024)
Net OPEB Liability	$1,965,624	$0	$1,965,624
OPEB Expense	$132,636	($81,727)	$50,909

At June 30, 2022, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$20,952	$45,293	$66,245
Changes of assumptions	308,360	81,251	389,611
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	733,611	39,170	772,781
Educational Service Center contributions subsequent to the measurement date	77,251	0	77,251
Total Deferred Outflows of Resources	$1,140,174	$165,714	$1,305,888

	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	$978,969	$233,058	$1,212,027
Changes of assumptions	269,176	758,855	1,028,031
Net difference between projected and actual earnings on OPEB plan investments	42,704	352,583	395,287
Changes in Proportionate Share and Difference between Educational Service Center contributions and proportionate share of contributions	0	20,778	20,778
Total Deferred Inflows of Resources	$1,290,849	$1,365,274	$2,656,123

$77,251 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($66,819)	($340,323)	($407,142)
2024	(67,119)	(331,498)	(398,617)
2025	(65,322)	(336,405)	(401,727)
2026	(45,931)	(143,603)	(189,534)
2027	5,594	(49,003)	(43,409)
Thereafter	11,671	1,272	12,943
Total	($227,926)	($1,199,560)	($1,427,486)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

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

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.
For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Discount Rate

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

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

	1% Decrease (1.27%)	Discount Rate (2.27%)	1% Increase (3.27%)
Educational Service Center's proportionate share of the net OPEB liability	$2,435,646	$1,965,624	$1,590,137

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
Educational Service Center's proportionate share of the net OPEB liability	$1,513,370	$1,965,624	$2,569,698

Actuarial Assumptions – STRS

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

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30,

2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

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, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net OPEB asset	($1,073,392)	($1,272,024)	($1,437,952)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	($1,431,228)	($1,272,024)	($1,075,153)

Changes Between the Measurement Date and the Reporting Date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

NOTE 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. 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 2022 were as follows:

	Amount Outstanding 6/30/21	Additions	Deductions	Amount Outstanding 6/30/22	Amounts Due Within One Year
Governmental Activities:					
Direct Placement:					
Loan Payable	$0	$1,100,000	$100,833	$999,167	$110,000
Net Pension Liability:					
STRS	14,271,138	0	6,557,311	7,713,827	0
SERS	5,776,912	0	2,035,742	3,741,170	0
Total Net Pension Liability	20,048,050	0	8,593,053	11,454,997	0
Net OPEB Liability:					
SERS	1,888,608	77,016	0	1,965,624	0
Compensated Absences	1,162,058	190,882	140,037	1,212,903	113,124
Total Governmental Activities Long-Term Obligations	$23,098,716	$1,367,898	$8,833,923	$15,632,691	$223,124

During fiscal year 2022, the Educational Service Center entered into 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 Educational Service Center Business Center. The loan will be paid from the General Fund.

Principal and interest requirements to the Educational Service Center's outstanding debt at June 30, 2022, are as follows:

	Direct Placement Loan Payable	
Fiscal Year Ending June 30,	Principal	Interest
2023	$110,000	$15,873
2024	110,000	14,070
2025	110,000	12,193
2026	110,000	10,353
2027	110,000	8,512
2028-2032	449,167	15,677
	$999,167	$76,678

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, Ohio School Psychology Internship, 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.

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 $18,275 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 2022. 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 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.

<u>Public Entity Shared Risk Pool</u>

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 Educational 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, 2022, interfund receivables and payables resulted from various interfund transactions totaling $659 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.

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, 2022, if applicable, cannot be determined at this time.

School Foundation

Educational Service Center Foundation 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 2022 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, 2022.

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	$324,004
Nonmajor Governmental Funds	21,110
Total	$345,114

Contractual Commitments

The outstanding construction commitments at June 30, 2022, are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/22
WAI Construction Group, LLC	$1,188,489	$1,037,580	$150,909

NOTE 18 – ACCOUNTABILITY

At June 30, 2022, the following nonmajor special revenue funds had deficit fund balances:

Funds	Amounts
Special Revenue:	
State Micellaneous Grants Fund	$4,409
21st Century Grant Fund	6,234
Preschool Grant Fund	10,324
South Regional Professional Development Fund	149
Total	$21,116

The deficits in nonmajor special revenue funds were due to accruals in GAAP. The General Fund is liable for any deficit in the nonmajor special revenue funds and will provide transfers when cash is required not when accruals occur.

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.

Grant Title	Maternal, Infant and Early Childhood Home Visiting (MH)
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 07350011MH0822
Reimbursement Amount	$185,481

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, 2021 while the national state of emergency continues. During fiscal year 2022, the Educational Service Center received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Educational Service Center. The impact on the Educational Service Center's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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 Nine Fiscal Years (1)

	2022	2021	2020
Educational Service Center's Proportion of the Net Pension Liability	0.10139470%	0.08734090%	0.07377750%
Educational Service Center's Proportionate Share of the Net Pension Liability	$3,741,170	$5,776,912	$4,414,237
Educational Service Center's Covered Payroll	$3,604,850	$3,278,871	$2,577,689
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	103.78%	176.19%	171.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%

(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

2019	2018	2017	2016	2015	2014
0.06815190%	0.06688510%	0.06479070%	0.05866760%	0.05581100%	0.05581100%
$3,903,186	$3,996,237	$4,742,080	$3,347,631	$2,824,563	$3,318,901
$2,355,067	$2,183,807	$1,998,793	$1,815,207	$1,671,802	$1,493,893
165.74%	182.99%	237.25%	184.42%	168.95%	222.16%
71.36%	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 Six Fiscal Years (1)

	2022	2021	2020
Educational Service Center's Proportion of the Net OPEB Liability	0.10385940%	0.08689940%	0.07498060%
Educational Service Centers's Proportionate Share of the Net OPEB Liability	$1,965,624	$1,888,608	$1,885,604
Educational Sevice Center's Covered Payroll	$3,604,850	$3,278,871	$2,577,689
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	54.53%	57.60%	73.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(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

2019	2018	2017
0.06860520%	0.06759860%	0.06530290%
$1,903,293	$1,814,169	$1,861,374
$2,355,067	$2,183,807	$1,998,793
80.82%	83.07%	93.12%
13.57%	12.46%	11.49%

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 Nine Fiscal Years (1)

	2022	2021	2020
Educational Service Center's Proportion of the Net Pension Liability	0.060330734%	0.058980320%	0.054843860%
Educational Service Center's Proportionate Share of the Net Pension Liability	$7,713,827	$14,271,138	$12,128,389
Educational Service Center's Covered Payroll	$7,493,579	$7,424,379	$6,443,564
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	102.94%	192.22%	188.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(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

2019	2018	2017	2016	2015	2014
0.051470620%	0.052636760%	0.051280860%	0.050743310%	0.049691420%	0.049691420%
$11,317,234	$12,503,976	$17,165,250	$14,023,966	$12,086,673	$14,397,566
$6,036,021	$5,733,771	$5,349,371	$5,341,821	$5,080,377	$5,024,046
187.49%	218.08%	320.88%	262.53%	237.91%	286.57%
77.30%	75.30%	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 Six Fiscal Years (1)

	2021	2021	2020
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.060330734%	0.058980320%	0.054843860%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	($1,272,024)	($1,036,578)	($908,347)
Educational Service Center's Covered Payroll	$7,493,579	$7,424,379	$6,443,564
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-16.97%	-13.96%	-14.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%

(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

2019	2018	2017
0.051470620%	0.052636760%	0.051280860%
($827,080)	$2,053,692	$2,742,514
$6,036,021	$5,733,771	$5,349,371
-13.70%	35.82%	51.27%
176.00%	47.10%	37.30%

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

	2022	2021	2020
Net Pension Liability			
Contractually Required Contribution	$723,178	$504,679	$459,042
Contributions in Relation to the Contractually Required Contribution	(723,178)	(504,679)	(459,042)
Contribution Deficiency (Excess)	$0	$0	$0
Educational Service Center Covered Payroll (1)	$5,165,557	$3,604,850	$3,278,871
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%
Net OPEB Liability			
Contractually Required Contribution (2)	77,251	62,701	38,165
Contributions in Relation to the Contractually Required Contribution	(77,251)	(62,701)	(38,165)
Contribution Deficiency (Excess)	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.50%	1.74%	1.16%
Total Contributions as a Percentage of Covered Payroll (2)	15.50%	15.74%	15.16%

(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

2019	2018	2017	2016	2015	2014	2013
$347,988	$317,934	$305,733	$278,831	$239,244	$231,712	$206,755
(347,988)	(317,934)	(305,733)	(278,831)	(239,244)	(231,712)	(206,755)
$0	$0	$0	$0	$0	$0	$0
$2,577,689	$2,355,067	$2,183,807	$1,998,793	$1,815,207	$1,671,802	$1,493,893
13.50%	13.50%	14.00%	13.95%	13.18%	13.86%	13.84%
55,716	46,463	35,574	31,519	45,305	30,034	27,998
(55,716)	(46,463)	(35,574)	(31,519)	(45,305)	(30,034)	(27,998)
$0	$0	$0	$0	$0	$0	$0
2.16%	1.97%	1.63%	1.58%	2.50%	1.80%	1.87%
15.66%	15.47%	15.63%	15.53%	15.68%	15.66%	15.71%

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

	2022	2021	2020
Net Pension Liability			
Contractually Required Contribution	$1,488,770	$1,049,101	$1,039,413
Contributions in Relation to the Contractually Required Contribution	(1,488,770)	(1,049,101)	(1,039,413)
Contribution Deficiency (Excess)	$0	$0	$0
Educational Service Center Covered Payroll	$10,634,071	$7,493,579	$7,424,379
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%
Net OPEB Liability			
Contractually Required Contribution	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014	2013
$902,099	$845,043	$802,728	$748,912	$747,855	$660,449	$653,126
(902,099)	(845,043)	(802,728)	(748,912)	(747,855)	(660,449)	(653,126)
$0	$0	$0	$0	$0	$0	$0
$6,443,564	$6,036,021	$5,733,771	$5,349,371	$5,341,821	$5,080,377	$5,024,046
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
$0	$0	$0	$0	$0	$50,804	$50,240
0	0	0	0	0	(50,804)	(50,240)
$0	$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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NET PENSION LIABILITY

Changes in Assumptions - SERS

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

In fiscal year 2022, the discount rate was changed from 7.5% to 7.0%.

Amounts reported in 2022 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 prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts reported for 2017 through 2021 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

In fiscal year 2022, the discount rate was changed from 7.45% to 7.0%.

Beginning with fiscal year 2022, 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 years 2018-2021 and fiscal year 2017 and prior are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

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

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
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 2022	2.27 percent
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

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

In fiscal year 2022, the discount rate was changed from 2.63% to 2.27%.

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:
  - o 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:
  - o 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:
  - o 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.

<u>Changes in Assumptions – STRS</u>

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.

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.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2022, the following changes in assumptions occurred:

	2022	2021
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends		
Medical		
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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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, 2022

	Budget Amounts			Variance With Final Budget
	Original	Final	Actual	Over/(Under)
Revenues:				
Intergovernmental	$405,000	$779,638	$779,638	$0
Investment Earnings	17,000	14,182	14,182	0
Tuition and Fees	14,435,600	15,663,374	15,663,374	0
Customer Sales and Service	2,089,800	2,757,607	2,757,607	0
Contributions and Donations	41,000	22,830	22,830	0
Total Revenues	16,988,400	19,237,631	19,237,631	0
Expenditures:				
Current:				
Instruction:				
Regular	979,150	1,530,255	1,530,255	0
Special	9,399,800	9,392,407	9,392,407	0
Adult/Continuing	6,800	17,423	17,423	0
Support Services:				
Pupils	3,699,109	4,264,115	4,264,115	0
Instructional Staff	578,770	802,178	802,178	0
Board of Education	40,130	36,952	36,952	0
Administration	885,768	904,587	904,587	0
Fiscal	392,950	401,022	401,022	0
Operation and Maintenance of Plant	377,125	318,696	318,696	0
Central	677,885	1,245,571	1,245,571	0
Capital Outlay	0	1,517,531	1,517,531	0
Debt Service:				
Principal Retirement	0	100,833	100,833	0
Interest and Fiscal Charges	0	16,447	16,447	0
Total Expenditures	17,037,487	20,548,017	20,548,017	0
Excess of Revenues Under Expenditures	(49,087)	(1,310,386)	(1,310,386)	0
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	15,200	1,348	1,348	0
Loan Proceeds	0	1,100,000	1,100,000	0
Advances In	1,871	312,856	312,856	0
Refund of Prior Year Receipts	(5,000)	0	0	0
Advances Out	(1)	(298,185)	(298,185)	0
Total Other Financing Sources (Uses)	12,070	1,116,019	1,116,019	0
Net Change in Fund Balance	(37,017)	(194,367)	(194,367)	0
Fund Balance at Beginning of Year	3,286,971	3,286,971	3,286,971	0
Prior Year Encumbrances Appropriated	125,719	125,719	125,719	0
Fund Balance at End of Year	$3,375,673	$3,218,323	$3,218,323	$0

See accompanying budgetary notes

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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.

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	($231,265)
Adjustments:	
Revenue Accruals	(216,898)
Expenditure Accruals	505,021
Change in Fair Value of Investments - FY 2022	33,225
Change in Fair Value of Investments - FY 2021	24,883
Encumbrances	(324,004)
Advances	14,671
Budget Basis	($194,367)

SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SCIOTO COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal AL Number**	**Pass Through Grant Year or Identifying Number**	**Provided Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF TREASURY				
Passed Through Ohio Department of Education				
COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity	21.019	2021		$ 38,624
Total U.S. Department of Treasury				38,624
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Adult Education - Basic Grants to States	84.002	2021		39,128
		2022		231,611
Total Adult Education - Basic Grants to States				270,739
Special Education Cluster:				
Special Education Preschool Grants	84.173	2022		43,226
Total Special Education Cluster				43,226
Twenty-First Century Community Learning Centers	84.287	2022		149,872
Total Twenty-First Century Community Learning Centers				149,872
COVID-19 Education Stablization Fund				
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	2021		18,428
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	2022		141,899
COVID-19 Extended Learning Recovery	84.425D	2022		175,000
COVID-19 ESC Family Engagement Liasons	84.425D	2021		1,990
COVID-19 ESC Family Engagement Liasons	84.425D	2022		54,510
Total COVID-19 Education Stablization Fund				391,827
Supporting Effective Instruction State Grants - OTES	84.367	2022		34,206
Passed Through Ohio Department of Developmental Disabilties				
Special Education - Grants for Infants and Families	84.181	H181A180024		5,355
		H181A180024		67,884
COVID 19 Special Education - Grants for Infants and Families		N/A		13,646
Total Special Education - Grants for Infants and Families				86,885
Total U.S. Department of Education				976,755
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Health and Addiction Services				
MaryLee Allen Promoting Safe and Stable Families	93.556	N/A		14,360
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A		3,818
Passed Through Ohio Department of Health				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	07350011MH0921		36,094
		07350011MH1022		157,763
Total Maternal, Infant and Early Childhood Home Visiting Grant				193,857
Total U.S. Department of Health and Human Services				212,035
Total Expenditures of Federal Awards			$ -	**$ 1,227,414**

The accompanying notes are an integral part of this schedule.

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of South Central Ohio Educational Service Center (the Center's) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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.

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each 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, 2022, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Educational Service Center.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Keith Faber
Auditor of State
Columbus, Ohio

February 9, 2023

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM 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 Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Keith Faber
Auditor of State
Columbus, Ohio
February 9, 2023

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SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER
SCIOTO COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Adult Education – Basic Grants to States – Federal AL # 84.002 COVID 19 Education Stabilization Fund - Federal AL # 84.425
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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 2/28/2023