BROWN COUNTY EDUCATIONAL SERVICE CENTER
BROWN COUNTY
REGULAR AUDIT
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
Brown County Educational Service Center
9231 Hamer Rd
Georgetown, OH 45121

We have reviewed the *Independent Auditor's Report* of Brown County Educational Service Center, Brown County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2020 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Brown County Educational Service Center is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 31, 2023

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Brown County Educational Service Center
Brown County
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Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Education
Brown County Educational Service Center
9231 B Hamer Road
Georgetown, Ohio 45121

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown County Educational Service Center, Brown County, Ohio (the Educational Service Center), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

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 Brown County Educational Service Center, Brown County, Ohio, as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with 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* (*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 opinions.

Emphasis of Matter

As discussed in Note 18 and Note 19, to the financial statements for the fiscal year ended June 30, 2022 and 2021, respectively, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

As discussed in Note 20 to the financial statements for the year ended June 30, 2021, the Educational Service Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities." The Educational Service Center restated its beginning net position for the Fiduciary fund as a result of this implementation. We did not modify our opinion regarding this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, the schedules of the District's proportionate share of the net pension liability, the schedules of the District's proportionate share of the net OPEB liability (asset), and the schedules of District contributions be presented to supplement the basic financial statements. Such information, 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023 on our consideration of the Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Millhuff-Stang CPA Inc.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

February 10, 2023

As management of the Brown County Educational Service Center (Educational Service Center), we offer readers of the Educational Service Center's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

- The Educational Service Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2022 by $7,552,049. This deficit is primarily due to the recognition of net pension and other postemployment benefit (OPEB) liabilities, which is further discussed in the notes to the basic financial statements.
- The Educational Service Center's net position of governmental activities increased $412,797.
- General revenues accounted for $229,802 or 3 percent of total revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $7,554,113 or 97 percent of total revenues of $7,783,915.
- The Educational Service Center had $7,371,118 in expenses related to governmental activities; all of these expenses were offset by program specific revenues.

Using This Annual Financial Report

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 Educational Service Center as a financial whole, or an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the Educational Service Center as a whole, 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. These statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other nonmajor funds presented in total in one column.

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, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report net position and changes to net position. This change informs the reader whether the Educational Service Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account nonfinancial factors that also impact the Educational Service Center's financial well-being. Some factors may be financial while others, such as mandated educational programs, are nonfinancial factors.

All of the Educational Service Center's programs and services are reported as governmental activities, which include instruction and support services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

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 major funds, which are the General Fund and the Early Childhood Education Fund.

Governmental Funds. All 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 year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds. The Educational Service Center's only fiduciary fund is a custodial fund. These activities are excluded from the Educational Service Center's other financial statements because the assets cannot be utilized by the Educational Service Center to finance its operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Educational Service Center as a Whole

As stated previously, 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 2022 compared to 2021.

Table 1
Net Position
Governmental Position

	2022	Restated 2021
Assets:		
Current and Other Assets	$2,550,485	$2,376,533
Capital Assets, Net	156,703	202,160
Total Assets	2,707,188	2,578,693
Deferred Outflows of Resources	2,864,225	2,653,596
Liabilities:		
Current and Other Liabilities	1,026,126	1,005,215
Long-Term Liabilities	6,871,202	10,972,788
Total Liabilities	7,897,328	11,978,003
Deferred Inflows of Resources	5,226,134	1,219,132

Table 1
Net Position
Governmental Position
(Continued)

	2022	2021
Net Position:		
Investment in Capital Assets	$34,372	$18,946
Unrestricted (Deficit)	(7,586,421)	(7,983,792)
Total Net Position	($7,552,049)	($7,964,846)

Current and other assets increased between years due primarily to increases in cash and cash equivalents. Capital assets, net decreased due to depreciation, which was partially offset by an addition for equipment. Current and other liabilities increased between years due to an increase in accrued wages and benefits and intergovernmental payable. Long-term liabilities decreased due to a decrease in the Educational Service Center's proportionate share of the state-wide net pension liability. Deferred outflows and inflows of resources changed due to changes as reported by the retirement systems based on actuarially determined amounts related to the Educational Service Center's proportionate share of the state-wide net pension/OPEB liability (asset).

Table 2 shows the changes in net position for the fiscal years ended June 30, 2022 and 2021.

Table 2
Changes in Net Position
Governmental Activities

	2022	2021
Revenues		
Program Revenues:		
Charges for Services and Sales	$7,002,870	$6,353,462
Operating Grants and Contributions	551,243	637,502
Total Program Revenues	7,554,113	6,990,964
General Revenues:		
Grants and Entitlements not Restricted	197,293	187,151
Investment Earnings	6,946	4,051
Miscellaneous	25,563	91,512
Total General Revenues	229,802	282,714
Total Revenues	7,783,915	7,273,678

Table 2
Changes in Net Position
Governmental Activities
(Continued)

	2022	2021
Program Expenses:		
Instruction		
Regular	$346,192	$363,884
Special	3,604,452	3,843,932
Support Services		
Pupils	1,969,690	2,489,084
Instructional Staff	538,040	531,685
Board of Education	47,675	65,510
Administration	381,802	440,205
Fiscal	271,641	302,801
Operation and Maintenance of Plant	70,198	61,853
Pupil Transportation	8,958	9,597
Central	122,778	50,548
Interest and Fiscal Charges	9,692	0
Total Expenses	7,371,118	8,159,099
Change in Net Position	412,797	(885,421)
Net Position at Beginning of Year	(7,964,846)	(7,079,425)
Net Position at End of Year	($7,552,049)	($7,964,846)

Charges for services and sales increased between years due primarily to an increase in contract services paid by member school districts. Operating grants and contributions decreased between years due to the recognition of a greater amount of COVID-related funding in the prior year. Miscellaneous revenue decreased between years due primarily to significant workers compensation rebates received in 2021.

Many expenses decreased significantly between years due to a decrease in expenses related to pension and OPEB activity. For fiscal year 2022, pension and OPEB expenses recognized amounted to $390,148 whereas expenses recognized in the prior year amounted to $1,605,206. This resulted in a net decrease in expenses of $1,215,058, which was allocated amongst various expense functions. Certain expenses increased related to the additional contract services provided to member districts and depreciation expense, which was partially offset by decreases in the pension and OPEB expenses.

The statement of activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues of the Educational Service Center.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$3,950,644	($287,171)	$4,207,816	$455,093
Support Services	3,410,782	94,484	3,951,283	713,042
Interest and Fiscal Charges	9,692	9,692	0	0
Total Expenses	$7,371,118	($182,995)	$8,159,099	$1,168,135

The Educational Service Center's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $7,795,472 and expenditures of $7,699,571.

The General Fund had $7,282,138 in revenues and $7,209,374 in expenditures, resulting in an increase in fund balance of $72,764, resulting from an increase in contract revenues outpacing the increase in expenditures for the fund.

The Early Childhood Education Fund had $308,000 in revenues and $309,913 in expenditures, resulting in a decrease in fund balance of $1,913.

General Fund Budget Highlights

The Educational Service Center is not required under Ohio law to file budgetary information with the State Department of Education. No budgetary information is presented because the Governing Board did not approve estimated revenues or adopt appropriations.

Capital Assets

At the end of fiscal year 2022, the Educational Service Center had $156,703 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2022 balances compared to 2021.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2022	Restated 2021
Furniture and Equipment	$34,372	$18,946
Intangible Right to Use Lease	122,331	183,214
	$156,703	$202,160

Changes in capital assets from the prior year resulted from additions to furniture and equipment, which were partially offset by current year depreciation expense. See note 5 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2022, the Educational Service Center's outstanding debt obligations included a lease payable in the amount of $122,331. See note 11 to the basic financial statements for more detailed information related to debt.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Educational Service Center's financial condition 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 financial information, contact Blinda Boothby, Treasurer, Brown County Educational Service Center, 9231 Hamer Road, Georgetown, Ohio 45121.

Brown County Educational Service Center

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$1,837,489
Materials and Supplies Inventory	197,647
Accounts Receivable	22,156
Intergovernmental Receivable	17,793
Prepaid Items	9,739
Depreciable Capital Assets, Net	156,703
Net OPEB Asset	465,661
Total Assets	2,707,188
Deferred Outflows of Resources	
Pensions	2,166,761
OPEB	697,464
Total Deferred Outflows of Resources	2,864,225
Liabilities	
Accounts Payable	5,712
Accrued Wages and Benefits	865,007
Intergovernmental Payable	155,407
Long-Term Liabilities:	
Due Within One Year	80,539
Due in More Than One Year	429,179
Net Pension Liability	5,137,949
Net OPEB Liability	1,223,535
Total Liabilities	7,897,328
Deferred Inflows of Resources	
Pensions	3,906,456
OPEB	1,319,678
Total Deferred Inflows of Resources	5,226,134
Net Postion	
Investment in Capital Assets	34,372
Unrestricted (Deficit)	(7,586,421)
Total Net Position	($7,552,049)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues		Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	$346,192	$340,646	$0	($5,546)
Special	3,604,452	3,498,555	398,614	292,717
Support Services				
Pupils	1,969,690	1,908,624	41,513	(19,553)
Instructional Staff	538,040	438,640	106,222	6,822
Board of Education	47,675	45,483	0	(2,192)
Administration	381,802	373,205	0	(8,597)
Fiscal	271,641	262,279	4,894	(4,468)
Operation and Maintenance of Plant	70,198	66,397	0	(3,801)
Pupil Transportation	8,958	8,473	0	(485)
Central	122,778	60,568	0	(62,210)
Interest and Fiscal Charges	9,692	0	0	(9,692)
Total Governmental Activities	$7,371,118	$7,002,870	$551,243	182,995
		General Revenues		
		Grants and Entitlements not Restricted to Specific Programs		197,293
		Investment Earnings		6,946
		Miscellaneous		25,563
		Total General Revenues		229,802
		Change in Net Position		412,797
		Net Position Beginning of Year		(7,964,846)
		Net Position End of Year		($7,552,049)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Early Childhood Education Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$1,837,489	$0	$0	$1,837,489
Materials and Supplies Inventory	197,647	0	0	197,647
Accounts Receivable	22,156	0	0	22,156
Interfund Receivable	12,579	0	0	12,579
Intergovernmental Receivable	0	1,913	15,880	17,793
Prepaid Items	9,739	0	0	9,739
Total Assets	$2,079,610	$1,913	$15,880	$2,097,403
Liabilities				
Accounts Payable	$5,712	$0	$0	$5,712
Accrued Wages and Benefits Payable	862,553	0	2,454	865,007
Interfund Payable	0	0	12,579	12,579
Intergovernmental Payable	152,647	1,913	847	155,407
Total Liabilities	1,020,912	1,913	15,880	1,038,705
Deferred Inflows of Resources				
Unavailable Revenue	12,393	1,913	3,207	17,513
Total Deferred Inflows of Resources	12,393	1,913	3,207	17,513
Fund Balances				
Nonspendable	207,386	0	0	207,386
Assigned	62,559	0	0	62,559
Unassigned (Deficit)	776,360	(1,913)	(3,207)	771,240
Total Fund Balances	1,046,305	(1,913)	(3,207)	1,041,185
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$2,079,610	$1,913	$15,880	$2,097,403

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2022

Total Governmental Fund Balances		$1,041,185
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.		
Capital assets	274,990	
Accumulated depreciation	(118,287)	
Total		156,703
Other long-term assets are not available to pay for the current period's expenditures and therefore are deferred in the funds.		
Customer Sales and Services	12,393	
Intergovernmental	5,120	
Total		17,513
The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period. Therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows-pension	2,166,761	
Deferred outflows-OPEB	697,464	
Deferred inflows-pension	(3,906,456)	
Deferred inflows-OPEB	(1,319,678)	
Net pension liability	(5,137,949)	
Net OPEB asset	465,661	
Net OPEB liability	(1,223,535)	
Total		(8,257,732)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Lease payable	(122,331)	
Compensated absences	(387,387)	
Total		(509,718)
Net Position of Governmental Activities		($7,552,049)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General Fund	Early Childhood Education Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental	$259,152	$308,000	$205,334	$772,486
Interest	6,946	0	0	6,946
Tuition and Fees	277,407	0	0	277,407
Customer Sales and Services	6,713,070	0	0	6,713,070
Miscellaneous	25,563	0	0	25,563
Total Revenues	7,282,138	308,000	205,334	7,795,472
Expenditures				
Current				
Instruction				
Regular	360,381	0	0	360,381
Special	3,439,048	309,913	27,655	3,776,616
Support Services				
Pupils	2,026,392	0	35,402	2,061,794
Instructional Staff	466,930	0	93,243	560,173
Board of Education	48,086	0	0	48,086
Administration	383,070	0	0	383,070
Fiscal	273,395	0	4,174	277,569
Operation and Maintenance of Plant	70,198	0	0	70,198
Pupil Transportation	8,958	0	0	8,958
Central	62,341	0	0	62,341
Capital Outlay	0	0	19,810	19,810
Debt Service:				
Principal	60,883	0	0	60,883
Interest	9,692	0	0	9,692
Total Expenditures	7,209,374	309,913	180,284	7,699,571
Net Change in Fund Balances	72,764	(1,913)	25,050	95,901
Beginning Fund Balances (Deficits), July 1	973,541	0	(28,257)	945,284
Ending Fund Balances (Deficits), June 30	$1,046,305	($1,913)	($3,207)	$1,041,185

See the accompanying notes to the basic financial statements.

Brown County 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		$95,901
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. The amounts of capital asset additions and depreciation are:		
Capital asset additions	19,810	
Current year depreciation	(65,267)	
Total		(45,457)
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 not reported as revenues in the funds.		
Customer Sales and Services	12,393	
Intergovernmental	(23,950)	
Total		(11,557)
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		
Pension	628,861	
OPEB	45,954	
Total		674,815
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.		
Pension	(350,067)	
OPEB	(40,081)	
Total		(390,148)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. In the current fiscal year, this amount consists of:		
Lease Payments	60,883	
Total		60,883
Some expenses 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.		
Decrease in compensated absences	28,360	
Total		28,360
Change in Net Position of Governmental Activities		$412,797

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center

Statement of Fiduciary Net Position

June 30, 2022

	Custodial Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	$10,015,271
Total Assets	10,015,271
Net Postion	
Restricted for Individuals, Organizations and Other Governments	10,015,271
Total Net Position	$10,015,271

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2022

	Custodial Fund
Additions	
Interest	$37,155
Amounts Received as Fiscal Agent	21,291,802
Total Additions	21,328,957
Deductions	
Distributions as Fiscal Agent	21,498,832
Total Deductions	21,498,832
Change in Net Postion	(169,875)
Net Position Beginning of Year	10,185,146
Net Position End of Year	$10,015,271

See the accompanying notes to the basic financial statements.

Note 1 – Description of the Educational Service Center and Reporting Entity

The Brown County Educational Service Center (the Educational Service Center) operates under a Governing Board as defined by Section 3313.01 of the Ohio Revised Code. The Brown County Governing Board was chartered to operate by the State Board of Education on June 10, 1968. The Governing Board consists of five members elected at large for staggered four-year terms. The Educational Service Center is an administrative entity providing supervision and certain other services to local school districts located in Brown County. The Educational Service Center employs 48 certified and 110 classified staff members and provides services to the local and exempted village 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 Brown County Educational Service Center, this includes general operations, preschool, as well as teacher 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 a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Educational Service Center. The Educational Service Center has no component units.

The Educational Service Center participates in a jointly governed organization, insurance purchasing pool, and public entity shared risk and insurance purchasing pool. These organizations are discussed in Note 12 to the basic financial statements. These organizations are:

Jointly Governed Organization
Hamilton Clermont Cooperative Information Technology Center

Insurance Purchasing Pool
Cincinnati USA Chamber of Commerce Group Rating Plan

Public Entity Shared Risk and Insurance Purchasing Pool
Brown County Schools Benefits Consortium

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 statements usually distinguish between those activities of the Educational Service Center that are governmental in nature and those that are considered business-type; however, the Educational Service Center has no business-type activities.

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, 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. 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. The funds of the Educational Service Center are divided into 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 plus deferred inflows of resources is reported as fund balance. The following are the Educational Service Center's major governmental funds.

General Fund - The General Fund is the operating fund of the Educational Service Center and is used to account for and report 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.

Early Childhood Education Fund - The Early Childhood Education Fund accounts for and reports state grant funds for an early childhood education program.

The other 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 only fiduciary fund is a custodial fund. The custodial fund accounts for activities related to the 125 Plan and the Brown County Schools Benefits Consortium.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows and outflows 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, current liabilities, certain 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 financial statements and the financial statements of the fiduciary funds 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 bases of accounting arise in the recognition of revenue, the recording of deferred inflows and 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, interest, customer sales and services, and grants are considered to be both measurable and available at fiscal year-end.

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Educational Service Center reports in the government-wide statement of net position deferred outflows of resources for amounts related to pensions and other postemployment benefits. Amounts related to pensions will be further discussed in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Educational Service Center reports deferred inflows of resources for unavailable revenue, pensions, and other postemployment benefits. 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 intergovernmental grants and customer sales and services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Amounts related to pensions and other postemployment benefits will be further discussed in Notes 8 and 9.

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, except cash held as fiscal agent for the Brown County Schools Benefits Consortium and cash held in relation to the 125 plan, is pooled in central bank accounts. Separate accounts are maintained for the Brown County Schools Benefits Consortium and the 125 plan but are included in the accounting records of the Educational Service Center. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents," on the financial statements.

During fiscal year 2022, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Educational Service Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced noticed is appreciated for deposits and redemptions of $100 million or more. STAR Ohio reserves the right to limit the transaction to $250 million per day. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to $6,946.

Investments of the cash management pool and investments with original maturities 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.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables." 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 purchase and an expenditure/expense is recorded in the fiscal year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of materials and supplies held for consumption.

Capital Assets

All capital assets of the Educational Service Center are general capital assets that are associated with 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.

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 are 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 $1,500. The Educational Service Center does not possess any infrastructure.

All reported capital assets are depreciated. Depreciation of furniture and equipment is computed using the straight-line method over five to twenty years. Depreciation of intangible right to use lease assets is computed using the straight-line method over the lease term of five years, which is the shorter of the lease term or the useful life of the underlying asset.

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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Educational Service Center.

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

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 Educational Service Center had no matured compensated absences to report at June 30, 2022.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and leases 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.

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.

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 are 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 the highest level of formal action (resolution) of the Educational Service Center Board. Those committed amounts cannot be used for any other purpose unless the 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 intended uses established by the Educational Service Center Board. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

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 fund balance.

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 position represents the difference between all other elements in a statement of financial position. The investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. The Educational Service Center reported no interfund transfers for the fiscal year ended June 30, 2022.

Budgetary Process

No budgetary information is presented because the Governing Board did not approve estimated revenues or adopt appropriations. Under Ohio law, Educational Service Centers are not required to file budgetary information with the State Department of Education.

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.

Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local and exempted village school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/expenses. For fiscal year 2022, the Educational Service Center had no flow through grants.

Note 3 – 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's 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 Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 obligations 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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

As of June 30, 2022, the Educational Service Center only had investments in STAR Ohio.

Measurement/ Investment	Measurement Amount	Average Maturity
Net Asset Value Per Share:		
STAR Ohio	$10,059,940	60 Days

Interest Rate Risk

The Educational Service Center has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center has no investment policy that addresses credit risk.

Concentration of Credit Risk

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

Note 4 – Receivables

Receivables at June 30, 2022 consisted of amounts due from other school districts and governmental agencies. All receivables are considered collectible in full and will be received within one year. The Educational Service Center had the following intergovernmental receivables:

Governmental Activities	Amount
IDEA Early Childhood	$4,554
Early Childhood	1,913
ESSER	2,396
Extended Learning and Recovery	8,930
Total	$17,793

Note 5 – Capital Assets

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

	Restated Balance at 6/30/21	Additions	Deletions	Balance at 6/30/22
Governmental Activities				
Capital Assets Being Depreciated				
Furniture and Equipment	$71,966	$19,810	$0	$91,776
Intangible Right to Use Lease*	183,214	0	0	183,214
Total	255,180	19,810	0	274,990
Less Accumulated Depreciation				
Furniture and Equipment	(53,020)	(4,384)	0	(57,404)
Intangible Right to Use Lease*	0	(60,883)	0	(60,883)
Total	(53,020)	(65,267)	0	(118,287)
Governmental Activities Capital Assets, Net	$202,160	($45,457)	$0	$156,703

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$376
Support Services:	
Pupils	1,587
Administration	1,100
Fiscal	121
Central	62,083
Total Depreciation Expense	$65,267

*Of the current year depreciation total of $65,267, $60,883 is presented as central expense on the Statement of Activities related to the Educational Service Center's intangible asset of building use, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, "Leases", a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset. See Note 19 for additional information regarding restatement.

Note 6 – State and Local School District Funding

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

Note 7 – Risk Management

Liability Insurance

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, professional liability was provided by the Argonaunt Insurance Company with a $3,000,000 aggregate limit.

Liberty Mutual maintains a $20,000 public official bond for the Treasurer.

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

Workers’ Compensation Group Rating Plan

For fiscal year 2022, the Educational Service Center participated in the Cincinnati USA Chamber of Commerce group rating program (GRP), an insurance purchasing pool (See Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative, cost control, and actuarial services to the GRP.

Employee Medical and Dental Benefits

The Educational Service Center participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 12) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The Educational Service Center is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

Note 8 – Defined Benefit Pension Plans

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

Net Pension/Net OPEB Liability (Asset)

The net pension/OPEB liability (asset) reported on the statement of net position represents a liability to (asset for) employees for pensions/OPEB. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the 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 long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See note 9 for the required OPEB disclosures.

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 contributions to SERS were $347,056 for fiscal year 2022. Of this amount, $42,115 was reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 to 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 contributions to STRS were $281,805 for fiscal year 2022. Of this amount, $56,539 was 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	0.06271720%	0.02208578%	
Proportion of the Net Pension Liability Prior Measurement Date	0.05532050%	0.02258689%	
Change in Proportionate Share	0.00739670%	-0.00050111%	
Proportionate Share of the Net Pension Liability	$2,314,083	$2,823,866	$5,137,949
Pension Expense	$258,778	$91,289	$350,067

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	$225	$87,243	$87,468
Changes of assumptions	48,728	783,391	832,119
Changes in proportion and differences between Educational Service Center contributions and proportionate share of contributions	359,123	259,190	618,313
Educational Service Center contributions subsequent to the measurement date	347,056	281,805	628,861
Total Deferred Outflows of Resources	$755,132	$1,411,629	$2,166,761
Deferred Inflows of Resources			
Differences between expected and actual experience	$60,014	$17,700	$77,714
Net difference between projected and actual earnings on pension plan investments	1,191,819	2,433,631	3,625,450
Changes in proportion and differences between Educational Service Center contributions and proportionate share of contributions	5,115	198,177	203,292
Total Deferred Inflows of Resources	$1,256,948	$2,649,508	$3,906,456

$628,861 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 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	($41,743)	($297,966)	($339,709)
2024	(157,942)	(331,414)	(489,356)
2025	(283,373)	(361,398)	(644,771)
2026	(365,814)	(528,906)	(894,720)
Total	($848,872)	($1,519,684)	($2,368,556)

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	$3,850,065	$2,314,083	$1,018,722

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 %	

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

Discount Rate The discount rate used to measure the total pension liability was 7.00 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 proportionate share of the net pension liability	$5,288,043	$2,823,866	$741,641

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 elected Social Security. The contribution rate is 6.2 percent of wages.

Note 9 – Postemployment Benefits

See note 8 for a description of the net OPEB liability (asset).

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 $45,954.

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 $45,954 for fiscal year 2022, which was reported as intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

Net OPEB Liability (Asset), 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 (Asset)			
Current Measurement Date	0.06464900%	0.022085781%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.05749660%	0.022586890%	
Change in Proportionate Share	0.00715240%	-0.00050111%	
Proportionate Share of the Net			
OPEB Liability	$1,223,535	$0	$1,223,535
Proportionate Share of the Net			
OPEB Asset	$0	($465,661)	($465,661)
OPEB Expense (Gain)	$56,245	($16,164)	$40,081

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	$13,042	$16,580	$29,622
Changes of assumptions	191,943	29,744	221,687
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	350,387	49,814	400,201
Educational Service Center contributions subsequent to the measurement date	45,954	0	45,954
Total Deferred Outflows of Resources	$601,326	$96,138	$697,464
Deferred Inflows of Resources			
Differences between expected and actual experience	$609,376	$85,315	$694,691
Net difference between projected and actual earnings on OPEB plan investments	26,581	129,075	155,656
Changes of assumptions	167,553	277,800	445,353
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	23,727	251	23,978
Total Deferred Inflows of Resources	$827,237	$492,441	$1,319,678

$45,954 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	($69,014)	($110,832)	($179,846)
2024	(69,204)	(107,598)	(176,802)
2025	(70,448)	(106,373)	(176,821)
2026	(51,178)	(53,797)	(104,975)
2027	(11,222)	(18,081)	(29,303)
Thereafter	(799)	378	(421)
Total	($271,865)	($396,303)	($668,168)

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 expenses, including inflation	7.50 percent, net of investment expenses, 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020, five-year experience study, are summarized as follows:

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 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 follow ing table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
Educational Service Center's proportionate share of the net OPEB liability	$1,516,108	$1,223,535	$989,807

	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	$942,022	$1,223,535	$1,599,551

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.

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 %	

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

Discount Rate The discount rate used to measure the total OPEB 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 Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net OPEB asset	($392,946)	($465,661)	($526,403)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	($523,942)	($465,661)	($393,590)

Note 10 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from State laws. Eligible classified employees earn 10 to 30 days of vacation per fiscal year, depending upon length of service. Administrators earn 10 to 30 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the accumulation of the number of sick days. Upon retirement, payment is made for 25 percent of the employees' accumulated sick leave with a maximum payment being limited to 50 days. Unused personal days are converted to sick days for all employees on June 30th of each fiscal year.

Other Employee Benefits

The Educational Service Center provides term life insurance and accidental death and dismemberment insurance to all of its full-time employees through Metlife.

125 Plan

The Educational Service Center provides its full-time employees an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that fiscal year. Any monies not used by the end of the plan year are forfeited to the general fund. Employees may elect to have plan benefit dollars applied to a dependent care assistance plan, an insurance premium payment plan, and/or for medical expense reimbursements. Participation is renewed annually with each fiscal year beginning August 1 and ending July 31. This plan has been included as a custodial fund and is administered by Business Plans.

Note 11 – Long-Term Obligations

The changes in the Educational Service Center's long-term obligations during fiscal year 2022 were as follows:

	Restated Balance at 6/30/21	Increase	Decrease	Balance at 6/30/22	Due Within One Year
Governmental Activities					
Net Pension Liability					
SERS	$3,659,014	$0	($1,344,931)	$2,314,083	$0
STRS	5,465,224	0	(2,641,358)	2,823,866	0
Total Net Pension Liability	9,124,238	0	(3,986,289)	5,137,949	0
Net OPEB Liability					
SERS	1,249,589	0	(26,054)	1,223,535	0
Total Net OPEB Liability	1,249,589	0	(26,054)	1,223,535	0
Compensated Absences	415,747	183,267	(211,627)	387,387	24,464
Lease Payable*	183,214	0	(60,883)	122,331	56,075
Total	$10,972,788	$183,267	($4,284,853)	$6,871,202	$80,539

* See Note 19 for additional information regarding restatement.

Leases Payable – The Educational Service Center has an outstanding agreement to lease space for operation. Due to the implementation of GASB 87, this lease has met the criteria of a lease thus requiring it to be recorded by the Educational Service Center. A summary of the principal and interest amounts for the remaining lease is as follows:

Year	Principal	Interest
2023	$56,075	$5,840
2024	66,256	3,314
Total	$122,331	$9,154

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. There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the same funds from which employees are paid. For additional information related to the net pension/OPEB liability, see notes 8 and 9.

Note 12 – Jointly Governed Organization, Insurance Purchasing Pool, and Public Entity Shared Risk Pool

Jointly Governed Organization

The Educational Service Center is a participant in the Hamilton Clermont Cooperative Information Technology Center (HCC) which is a computer consortium. HCC is an association of 31 public school districts within the boundaries of Hamilton, Clermont and surrounding counties. HCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The Governing Board of HCC consists of the superintendents and/or treasurers of the participating districts. HCC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. During fiscal year 2022, the Educational Service Center paid HCC $6,472 for various services. Financial information can be obtained from the Director at 1007 Cottonwood Drive, Loveland, Ohio 45140.

Insurance Purchasing Pool

The Educational Service Center participates in the Cincinnati USA Chamber of Commerce Group Rating Program, an insurance purchasing pool. Each year, the Educational Service Center pays an enrollment fee to Sheakley to cover the costs of administering the program.

Public Entity Shared Risk and Insurance Purchasing Pool

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the Consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Career and Technical Center, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members' employees and their dependents. The Consortium contracts with United Healthcare to provide medical insurance directly to Consortium member employees. The Educational Service Center pays premiums to the Consortium based on employee membership. For dental coverage the Consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the Consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third-party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 931 Hamer Road, Georgetown, Ohio 45121.

Note 13 – 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 is 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.

Litigation

There are currently no matters in litigation with the Educational Service Center as defendant.

Note 14- Significant Commitments

Encumbrances

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

Major Fund:	
General	$68,271
Nonmajor Fund:	
ESSER Grant	78,156
Total	$146,427

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

	General Fund	Early Childhood Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	$197,647	$0	$0	$197,647
Prepaid Items	9,739	0	0	9,739
Total Nonspendable	207,386	0	0	207,386
Assigned to				
Purchases on Order	62,559	0	0	62,559
Unassigned (Deficit)	776,360	(1,913)	(3,207)	771,240
Total Fund Balances	$1,046,305	($1,913)	($3,207)	$1,041,185

Note 16 – Accountability

At June 30, 2022, the ESSER Grant and Early Childhood Education Special Revenue Funds had deficit balances of $3,207 and $1,913, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Note 17 – Interfund Activity

lnterfund balances at June 30, 2022 consist of the following individual interfund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	$12,579	$0
Nonmajor Funds:		
ESSER Grant	0	11,231
IDEA Early Childhood Grant	0	1,348
Total	$12,579	$12,579

The balance due to the General Fund are a result of negative cash balances in other funds, which is due to timing differences in the receiving of grant monies. The General Fund is responsible for any deficit in these funds and interfund transactions were established to cover these expenditures. The purpose for the interfund balances is to eliminate the negative cash balances in these funds until grant monies are received.

Note 18 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2022, the 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 future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

During fiscal year 2022, the Educational Service Center received Elementary and Secondary School Emergency Relief (ESSER) and Extended Learning and Recovery funding in the amounts of $60,432 and $99,173, respectively. Of the amounts received, none was sub-granted to other governments and organizations, returned to the granting agency, or spent on-behalf of other governments. The Educational Service Center did not receive significant donated personal protective equipment as an on-behalf of grant from another government.

Note 19 – Change in Accounting Principles

For fiscal year 2022, the Educational Service Center implemented GASB Statement No. 87, "Leases". GASB Statement 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the Educational Service Center's fiscal year 2022 financial statements; however, there was no effect on beginning net position/fund balance. The Educational Service Center recognized $183,214 in governmental activities in leases payable at June 30, 2021; however, this entire amount was offset by the intangible asset, right to use – lease.

Brown County Educational Service Center

Required Supplementary Information

Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability

Last Nine Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022
State Teachers Retirement System									
Educational Service Center's proportion of the net pension liability	0.01821580%	0.01821580%	0.01769088%	0.01852055%	0.01862016%	0.02122682%	0.02132628%	0.02258689%	0.02208578%
Educational Service Center's proportionate share of the net pension liability	$5,277,836	$4,430,712	$4,889,241	$6,199,387	$4,423,260	$4,667,302	$4,716,179	$5,465,224	$2,823,866
Educational Service Center's covered-employee payroll	$1,819,615	$1,855,246	$1,854,743	$1,937,571	$2,118,821	$2,455,814	$2,494,543	$2,737,786	$1,965,050
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.1%	238.8%	263.6%	320.0%	208.8%	190.1%	189.1%	199.6%	143.7%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%	87.8%
School Employees Retirement System									
Educational Service Center's proportion of the net pension liability	0.03659200%	0.03659200%	0.03572920%	0.04212930%	0.04696730%	0.04834080%	0.04912140%	0.05532050%	0.06271720%
Educational Service Center's proportionate share of the net pension liability	$2,176,009	$1,851,900	$2,038,742	$3,083,477	$2,806,192	$2,768,566	$2,939,019	$3,659,014	$2,314,083
Educational Service Center's covered-employee payroll	$1,242,189	$1,066,732	$1,094,370	$1,337,321	$1,493,564	$1,684,533	$1,717,985	$1,781,993	$2,109,357
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.2%	173.6%	186.3%	230.6%	187.9%	164.4%	171.1%	205.3%	109.7%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%	82.9%

The amounts presented are as of the Educational Service Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See the accompanying notes to the required supplementary information.

Brown County Educational Service Center

Required Supplementary Information

Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)

Last Six Fiscal Years

	2017	2018	2019	2020	2021	2022
State Teachers Retirement System						
Educational Service Center's proportion of the net OPEB liability (asset)	0.01852055%	0.01862016%	0.02122682%	0.02132628%	0.02258689%	0.02208578%
Educational Service Center's proportionate share of the net OPEB liability (asset)	$990,484	$726,490	($341,093)	($353,214)	($396,964)	($465,661)
Educational Service Center's covered-employee payroll	$1,937,571	$2,118,821	$2,455,814	$2,494,543	$2,737,786	$1,965,050
Educational Service Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	51.1%	34.3%	-13.9%	-14.2%	-14.5%	-23.7%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%	174.7%
School Employees Retirement System						
Educational Service Center's proportion of the net OPEB liability	0.04230980%	0.04756990%	0.04907550%	0.05033170%	0.05749660%	0.06464900%
Educational Service Center's proportionate share of the net OPEB liability	$1,205,986	$1,276,651	$1,361,487	$1,265,736	$1,249,589	$1,223,535
Educational Service Center's covered-employee payroll	$1,337,321	$1,493,564	$1,684,533	$1,717,985	$1,781,993	$2,109,357
Educational Service Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	90.2%	85.5%	80.8%	73.7%	70.1%	58.0%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%	24.1%

The amounts presented are as of the Educational Service Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See the accompanying notes to the required supplementary information.

Brown County Educational Service Center
Required Supplementary Information
Schedule of Educational Service Center Contributions
Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
State Teachers Retirement System										
Contractually required contribution - pension	$236,550	$241,182	$259,664	$271,260	$296,635	$343,814	$349,236	$383,290	$275,107	$281,805
Contractually required contribution - OPEB	18,196	18,590	0	0	0	0	0	0	0	0
Contractually required contribution - total	254,746	259,772	259,664	271,260	296,635	343,814	349,236	383,290	275,107	281,805
Contributions in relation to the contractually required contribution	254,746	259,772	259,664	271,260	296,635	343,814	349,236	383,290	275,107	281,805
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Educational Service Center's covered-employee payroll	$1,819,615	$1,855,246	$1,854,743	$1,937,571	$2,118,821	$2,455,814	$2,494,543	$2,737,786	$1,965,050	$2,012,893
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
School Employees Retirement System										
Contractually required contribution - pension	$171,919	$147,849	$144,238	$187,225	$209,099	$227,412	$231,928	$249,479	$295,310	$347,056
Contractually required contribution - OPEB (1)	4,220	1,474	8,974	0	0	8,423	8,590	0	0	0
Contractually required contribution - total	176,139	149,323	153,212	187,225	209,099	235,835	240,518	249,479	295,310	347,056
Contributions in relation to the contractually required contribution	176,139	149,323	153,212	187,225	209,099	235,835	240,518	249,479	295,310	347,056
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Educational Service Center's covered-employee payroll	$1,242,189	$1,066,732	$1,094,370	$1,337,321	$1,493,564	$1,684,533	$1,717,985	$1,781,993	$2,109,357	$2,478,971
Contributions as a percentage of covered-employee payroll - pension	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.
See the accompanying notes to the required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2022.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.5 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered from 3.5 percent to 3.0 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Investment rate of return and discount rate of return assumptions were lowered from 7.45 percent to 7.0 percent.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extent the current Medicare Part B partial reimbursement for one year.

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% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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, 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 calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

<u>Changes in assumptions</u>

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
  - Medical Medicare – 5 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – 6 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – -5.23 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – 8 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from -5.23 percent to 9.62 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 8 percent to 7.73 initial, 4 percent ultimate

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 4.93 percent to -6.69 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 5.87 percent to 5 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 7.73 percent to 6.5 initial, 4 percent ultimate

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from 7.45 percent to 7.0 percent.
- The health care trend assumption rate changed as follows:
  - Medical Medicare – from -6.69 percent initial, 4 percent ultimate to -16.18 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 11.87 percent initial, 4 percent ultimate to 29.98 percent initial, 4 percent ultimate

School Employees Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.5 percent to 2.0 percent.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll Growth Assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Investment rate of return was reduced from 7.75 percent to 7.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
  - 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.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

- Assumed rate of inflation was reduced from 3.0 percent to 2.4 percent
- Payroll Growth Assumption was reduced from 3.5 percent to 3.25 percent
- Investment rate of return was reduced from 7.5 percent to 7.0 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among members was updated to the following:
  - 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 was updated to the following:
  - 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.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2022.

Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll growth assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:

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

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63 percent.
- The municipal bond index rate increased from 2.92 percent to 3.56 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98 percent to 3.63 percent.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:

  - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
  - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:

  - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
  - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The inflation rate decreased from 3.0 percent to 2.4 percent.
- Projected salary increases decreased from 3.5 percent to 3.25 percent.
- Investment rate of return decreased from 7.5 percent to 7.0 percent.

- The municipal bond index rate decreased from 2.45 percent to 1.92 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 2.63 percent to 2.27 percent.
- The medical trend assumption rate changed as follows:
    - Medicare – 2020 – 5.25 to 4.75 percent, 2022 – 5.125 to 4.4 percent
    - Pre-Medicare – 2020 – 7 to 4.75 percent, 2022 – 6.75 to 4.4 percent
- Mortality among members was updated to the following:
    - 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 was updated to the following:
    - 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.

As management of the Brown County Educational Service Center (Educational Service Center), we offer readers of the Educational Service Center's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

- The Educational Service Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by $7,964,846. This deficit is primarily due to the recognition of net pension and other postemployment benefit (OPEB) liabilities, which is further discussed in the notes to the basic financial statements.
- The Educational Service Center's net position of governmental activities decreased $885,421.
- General revenues accounted for $282,714 or 4 percent of total revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $6,990,964 or 96 percent of total revenues of $7,273,678.
- The Educational Service Center had $8,159,099 in expenses related to governmental activities; $6,990,964 of these expenses were offset by program specific revenues.

Using This Annual Financial Report

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 Educational Service Center as a financial whole, or an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the Educational Service Center as a whole, 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. These statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the Educational Service Center as a Whole

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

These two statements report net position and changes to net position. This change informs the reader whether the Educational Service Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account nonfinancial factors that also impact the Educational Service Center's financial well-being. Some factors may be financial while others, such as mandated educational programs, are nonfinancial factors.

All of the Educational Service Center's programs and services are reported as governmental activities, which include instruction and support services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

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 major funds, which are the General Fund and the Early Childhood Education Fund.

Governmental Funds. All 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 year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds. The Educational Service Center's only fiduciary fund is a custodial fund. These activities are excluded from the Educational Service Center's other financial statements because the assets cannot be utilized by the Educational Service Center to finance its operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Educational Service Center as a Whole

As stated previously, 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 2021 compared to 2020.

Table 1
Net Position
Governmental Position

	2021	2020
Assets:		
Current and Other Assets	$2,376,533	$2,099,702
Capital Assets, Net	18,946	17,969
Total Assets	2,395,479	2,117,671
Deferred Outflows of Resources	2,653,596	2,122,361
Liabilities:		
Current and Other Liabilities	1,005,215	934,792
Long-Term Liabilities	10,789,574	9,280,978
Total Liabilities	11,794,789	10,215,770
Deferred Inflows of Resources	1,219,132	1,103,687

Table 1
Net Position
Governmental Position
(Continued)

	2021	2020
Net Position:		
Investment in Capital Assets	$18,946	$17,969
Restricted	0	1,641
Unrestricted (Deficit)	(7,983,792)	(7,099,035)
Total Net Position	($7,964,846)	($7,079,425)

Current and other assets increased between years due primarily to increases in cash and cash equivalents and inventory balances. Capital assets, net increased slightly due to an addition for equipment, which was partially offset by current year disposals and depreciation. Current and other liabilities increased between years due to an increase in accrued wages and benefits and intergovernmental payable. Long-term liabilities increased due to an increase in the Educational Service Center's proportionate share of the state-wide net pension liability. Deferred outflows and inflows of resources changed due to changes as reported by the retirement systems based on actuarially determined amounts related to the Educational Service Center's proportionate share of the state-wide net pension/OPEB liability (asset).

Table 2 shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

Table 2
Changes in Net Position
Governmental Activities

	2021	2020
Revenues		
Program Revenues:		
Charges for Services and Sales	$6,353,462	$5,906,853
Operating Grants and Contributions	637,502	706,433
Total Program Revenues	6,990,964	6,613,286
General Revenues:		
Grants and Entitlements not Restricted	187,151	150,230
Investment Earnings	4,051	34,121
Miscellaneous	91,512	56,202
Total General Revenues	282,714	240,553
Total Revenues	7,273,678	6,853,839

Table 2
Changes in Net Position
Governmental Activities
(Continued)

	2021	2020
Program Expenses:		
Instruction		
Regular	$363,884	$359,890
Special	3,843,932	3,633,296
Support Services		
Pupils	2,489,084	2,180,968
Instructional Staff	531,685	666,050
Board of Education	65,510	67,873
Administration	440,205	480,685
Fiscal	302,801	289,377
Operation and Maintenance of Plant	61,853	57,272
Pupil Transportation	9,597	8,229
Central	50,548	51,674
Total Expenses	8,159,099	7,795,314
Change in Net Position	(885,421)	(941,475)
Net Position at Beginning of Year	(7,079,425)	(6,137,950)
Net Position at End of Year	($7,964,846)	($7,079,425)

Charges for services and sales increased between years due primarily to an increase in contract services paid by member school districts. Operating grants and contributions decreased between years due to a decrease in early childhood education funding, which was partially offset by an increase for the receipt of COVID-related funding. Miscellaneous revenue increased between years due primarily to significant workers compensation rebates received in 2021.

Many expenses increased significantly between years due to an increase in expenses related to pension and OPEB activity. For fiscal year 2021, pension and OPEB expenses recognized amounted to $1,605,206 whereas expenses recognized in the prior year amounted to $1,473,288. This resulted in a net increase in expenses of $131,918, which was allocated amongst various expense functions. Expenses also increased related to the additional contract services provided to member districts, which was partially offset by decreases in preschool program activity related to the COVID-19 pandemic.

The statement of activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues of the Educational Service Center.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$4,207,816	$455,093	$3,993,186	$491,590
Support Services	3,951,283	713,042	3,802,128	690,438
Total Expenses	$8,159,099	$1,168,135	$7,795,314	$1,182,028

The Educational Service Center's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $7,248,044 and expenditures of $7,111,020.

The General Fund had $6,697,451 in revenues and $6,606,092 in expenditures, resulting in an increase in fund balance of $91,359, resulting from an increase in contract revenues outpacing the increase in expenditures for the fund.

The Early Childhood Education Fund had $368,000 in revenues and $296,629 in expenditures, resulting in an increase in fund balance of $71,371, resulting from revenues outpacing expenditures, due to expenditure cuts for reduced activity in the preschool program.

General Fund Budget Highlights

The Educational Service Center is not required under Ohio law to file budgetary information with the State Department of Education. No budgetary information is presented because the Governing Board did not approve estimated revenues or adopt appropriations.

Capital Assets

At the end of fiscal year 2021, the Educational Service Center had $18,946 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2021 balances compared to 2020.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2021	2020
Furniture and Equipment	$18,946	$17,969

Changes in capital assets from the prior year resulted from current year depreciation expense. See note 5 to the basic financial statements for more detailed information related to capital assets.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Educational Service Center's financial condition 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 financial information, contact Blinda Boothby, Treasurer, Brown County Educational Service Center, 9231 Hamer Road, Georgetown, Ohio 45121.

Brown County Educational Service Center

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$1,698,296
Materials and Supplies Inventory	204,569
Accounts Receivable	26,377
Intergovernmental Receivable	40,936
Prepaid Items	9,391
Depreciable Capital Assets, Net	18,946
Net OPEB Asset	396,964
Total Assets	2,395,479
Deferred Outflows of Resources	
Pensions	2,033,698
OPEB	619,898
Total Deferred Outflows of Resources	2,653,596
Liabilities	
Accounts Payable	4,237
Accrued Wages and Benefits	852,894
Intergovernmental Payable	148,084
Long-Term Liabilities:	
Due Within One Year	28,175
Due in More Than One Year	387,572
Net Pension Liability	9,124,238
Net OPEB Liability	1,249,589
Total Liabilities	11,794,789
Deferred Inflows of Resources	
Pensions	65,898
OPEB	1,153,234
Total Deferred Inflows of Resources	1,219,132
Net Postion	
Investment in Capital Assets	18,946
Unrestricted (Deficit)	(7,983,792)
Total Net Position	($7,964,846)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2021

		Program Revenues		Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	$363,884	$299,689	$0	($64,195)
Special	3,843,932	2,979,931	473,103	(390,898)
Support Services				
Pupils	2,489,084	1,881,227	157,032	(450,825)
Instructional Staff	531,685	414,374	7,367	(109,944)
Board of Education	65,510	59,529	0	(5,981)
Administration	440,205	359,504	0	(80,701)
Fiscal	302,801	248,550	0	(54,251)
Operation and Maintenance of Plant	61,853	57,530	0	(4,323)
Pupil Transportation	9,597	8,926	0	(671)
Central	50,548	44,202	0	(6,346)
Total Governmental Activities	$8,159,099	$6,353,462	$637,502	(1,168,135)
		General Revenues		
		Grants and Entitlements not Restricted to Specific Programs		187,151
		Investment Earnings		4,051
		Miscellaneous		91,512
		Total General Revenues		282,714
		Change in Net Position		(885,421)
		Net Position Beginning of Year		(7,079,425)
		Net Position End of Year		($7,964,846)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Early Childhood Education Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$1,698,296	$0	$0	$1,698,296
Materials and Supplies Inventory	204,569	0	0	204,569
Accounts Receivable	26,377	0	0	26,377
Interfund Receivable	403	0	0	403
Intergovernmental Receivable	12,414	0	28,522	40,936
Prepaid Items	9,391	0	0	9,391
Total Assets	$1,951,450	$0	$28,522	$1,979,972
Liabilities				
Accounts Payable	$4,237	$0	$0	$4,237
Accrued Wages and Benefits Payable	829,951	0	22,943	852,894
Interfund Payable	0	0	403	403
Intergovernmental Payable	142,908	0	5,176	148,084
Total Liabilities	977,096	0	28,522	1,005,618
Deferred Inflows of Resources				
Unavailable Revenue	813	0	28,257	29,070
Total Deferred Inflows of Resources	813	0	28,257	29,070
Fund Balances				
Nonspendable	213,960	0	0	213,960
Assigned	94,132	0	0	94,132
Unassigned (Deficit)	665,449	0	(28,257)	637,192
Total Fund Balances	973,541	0	(28,257)	945,284
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$1,951,450	$0	$28,522	$1,979,972

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2021

Total Governmental Fund Balances		$945,284
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.		
Capital assets	71,966	
Accumulated depreciation	(53,020)	
Total		18,946
Other long-term assets are not available to pay for the current period's expenditures and therefore are deferred in the funds.		
Intergovernmental	29,070	
Total		29,070
The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period. Therefore, the liability (asset) and related deferred inflows/outflows are not reported in		
Deferred outflows-pension	2,033,698	
Deferred outflows-OPEB	619,898	
Deferred inflows-pension	(65,898)	
Deferred inflows-OPEB	(1,153,234)	
Net pension liability	(9,124,238)	
Net OPEB asset	396,964	
Net OPEB liability	(1,249,589)	
Total		(8,542,399)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	(415,747)	
Total		(415,747)
Net Position of Governmental Activities		($7,964,846)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2021

	General Fund	Early Childhood Education Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental	$248,426	$368,000	$182,593	$799,019
Interest	4,051	0	0	4,051
Tuition and Fees	162,817	0	0	162,817
Customer Sales and Services	6,190,645	0	0	6,190,645
Miscellaneous	91,512	0	0	91,512
Total Revenues	6,697,451	368,000	182,593	7,248,044
Expenditures				
Current				
Instruction				
Regular	324,661	0	0	324,661
Special	3,016,307	296,629	42,259	3,355,195
Support Services				
Pupils	2,012,682	0	157,400	2,170,082
Instructional Staff	429,806	0	8,640	438,446
Board of Education	64,002	0	0	64,002
Administration	372,367	0	0	372,367
Fiscal	261,294	0	0	261,294
Operation and Maintenance of Plant	61,853	0	0	61,853
Pupil Transportation	9,597	0	0	9,597
Central	47,523	0	0	47,523
Capital Outlay	6,000	0	0	6,000
Total Expenditures	6,606,092	296,629	208,299	7,111,020
Net Change in Fund Balances	91,359	71,371	(25,706)	137,024
Beginning Fund Balances (Deficits), July 1	882,182	(71,371)	(2,551)	808,260
Ending Fund Balances (Deficits), June 30	$973,541	$0	($28,257)	$945,284

See the accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds		$137,024
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. The amounts of capital asset additions and depreciation are:		
Capital asset additions	6,000	
Current year depreciation	(3,614)	
Total		2,386
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal.		(1,409)
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 not reported as revenues in the funds.		
Intergovernmental		25,634
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		
Pension	570,417	
OPEB	41,436	
Total		611,853
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,540,939)	
OPEB	(64,267)	
Total		(1,605,206)
Some expenses 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.		
Increase in compensated absences	(55,703)	
Total		(55,703)
Change in Net Position of Governmental Activities		($885,421)

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center

Statement of Fiduciary Net Position

June 30, 2021

	Custodial Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	$10,188,979
Total Assets	10,188,979
Liabilities	
Accounts Payable	3,833
Total Liabilities	3,833
Net Postion	
Restricted for Individuals, Organizations and Other Governments	10,185,146
Total Net Position	$10,185,146

See the accompanying notes to the basic financial statements.

Brown County Educational Service Center
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2021

	Custodial Fund
Additions	
Interest	$26,619
Amounts Received as Fiscal Agent	19,155,379
Total Additions	19,181,998
Deductions	
Distributions as Fiscal Agent	19,644,094
Total Deductions	19,644,094
Change in Net Postion	(462,096)
Net Position Beginning of Year - Restated	10,647,242
Net Position End of Year	$10,185,146

See the accompanying notes to the basic financial statements.

Note 1 – Description of the Educational Service Center and Reporting Entity

The Brown County Educational Service Center (the Educational Service Center) operates under a Governing Board as defined by Section 3313.01 of the Ohio Revised Code. The Brown County Governing Board was chartered to operate by the State Board of Education on June 10, 1968. The Governing Board consists of five members elected at large for staggered four-year terms. The Educational Service Center is an administrative entity providing supervision and certain other services to local school districts located in Brown County. The Educational Service Center employs 45 certified and 105 classified staff members and provides services to the local and exempted village 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 Brown County Educational Service Center, this includes general operations, preschool, as well as teacher 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 a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Educational Service Center. The Educational Service Center has no component units.

The Educational Service Center participates in a jointly governed organization, insurance purchasing pool, and public entity shared risk and insurance purchasing pool. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organization
    Hamilton Clermont Cooperative Information Technology Center

Insurance Purchasing Pool
    Cincinnati USA Chamber of Commerce Group Rating Plan

Public Entity Shared Risk and Insurance Purchasing Pool
    Brown County Schools Benefits Consortium

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 statements usually distinguish between those activities of the Educational Service Center that are governmental in nature and those that are considered business-type; however the Educational Service Center has no business-type activities.

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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenuesare 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. 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 fiscalyear. The funds of the Educational Service Center are divided into 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 plus deferred inflows of resources is reported as fund balance. The following are the Educational Service Center's major governmental funds.

General Fund - The General Fund is the operating fund of the Educational Service Center and is used to account for and report 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.

Early Childhood Education Fund - The Early Childhood Education Fund accounts for and reports state grant funds for an early childhood education program.

The other 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 only fiduciary fund is a custodial fund. The custodial fund accounts for activities related to the 125 Plan and the Brown County Schools Benefits Consortium.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows and outflows 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, current liabilities, certain 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 financial statements and the financial statements of the fiduciary funds 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 bases of accounting arise in the recognition of revenue, the recording of deferred inflows and 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, interest, customer sales and services, and grants are considered to be both measurable and available at fiscal year-end.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Educational Service Center reports in the government-wide statement of net position deferred outflows of resources for amounts related to pensions and other postemployment benefits. Amounts related to pensions will be further discussed in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Educational Service Center reports deferred inflows of resources for unavailable revenue, pensions, and other postemployment benefits. 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 intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Amounts related to pensions and other postemployment benefits will be further discussed in Notes 8 and 9.

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, except cash held as fiscal agent for the Brown County Schools Benefits Consortium and cash held in relation to the 125 plan, is pooled in central bank accounts. Separate accounts are maintained for the Brown County Schools Benefits Consortium and the 125 plan but are included in the accounting records of the Educational Service Center. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents," on the financial statements.

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

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced noticed is appreciated for deposits and redemptions of $100 million or more. STAR Ohio reserves the right to limit the transaction to $250 million per day. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to $4,051.

Investments of the cash management pool and investments with original maturities 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.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Prepaid Items

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of materials and supplies held for consumption.

Capital Assets

All capital assets of the Educational Service Center are general capital assets that are associated with 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.

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 are 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 $1,500. The Educational Service Center does not possess any infrastructure.

All reported capital assets are depreciated. Depreciation of furniture and equipment is computed using the straight-line method over five to twenty 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Educational Service Center.

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

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 Educational Service Center had no matured compensated absences to report at June 30, 2021.

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.

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.

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 are 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 the highest level of formal action (resolution) of the Educational Service Center Board. Those committed amounts cannot be used for any other purpose unless the 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 intended uses established by the Educational Service Center Board. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

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 fund balance.

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 position represents the difference between all other elements in a statement of financial position. The investment in capital assets component of net position consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. The Educational Service Center reported no interfund transfers for the fiscal year ended June 30, 2021.

Budgetary Process

No budgetary information is presented because the Governing Board did not approve estimated revenues or adopt appropriations. Under Ohio law, Educational Service Centers are not required to file budgetary information with the State Department of Education.

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.

Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local and exempted village school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/expenses. For fiscal year 2021, the Educational Service Center had no flow through grants.

Note 3 – 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's 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 Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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 obligations 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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

As of June 30, 2021, the Educational Service Center only had investments in STAR Ohio.

Measurement/ Investment	Measurement Amount	Average Maturity
Net Asset Value Per Share:		
STAR Ohio	$322,042	60 Days

<u>Interest Rate Risk</u>

The Educational Service Center has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

<u>Credit Risk</u>

STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center has no investment policy that addresses credit risk.

<u>Concentration of Credit Risk</u>

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

<u>Note 4 – Receivables</u>

Receivables at June 30, 2021 consisted of amounts due from other school districts and governmental agencies. All receivables are considered collectible in full and will be received within one year. The Educational Service Center had the following intergovernmental receivables:

Governmental Activities	Amount
State Foundation	$813
HOPES Grant	11,601
Ohio Department of Education	28,522
Total	$40,936

Note 5 – Capital Assets

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

	Balance at 6/30/20	Additions	Deletions	Balance at 6/30/21
Governmental Activities				
Capital Assets Being Depreciated				
Furniture and Equipment	$72,328	$6,000	($6,362)	$71,966
Less Accumulated Depreciation				
Furniture and Equipment	(54,359)	(3,614)	4,953	(53,020)
Governmental Activities Capital Assets, Net	$17,969	$2,386	($1,409)	$18,946

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$376
Support Services:	
Pupils	1,587
Administration	1,100
Fiscal	251
Central	300
Total Depreciation Expense	$3,614

Note 6 – State and Local School District Funding

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

The Educational Service Center also receives funding from the State Department of Education in the amount of $27.00 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount includes a proration factor equal to 0.766461550 that 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 Educational Service Center.

Note 7 – Risk Management

Liability Insurance

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, professional liability was provided by the Argonaunt Insurance Company with a $3,000,000 aggregate limit.

Liberty Mutual maintains a $20,000 public official bond for the Treasurer.

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

Workers' Compensation Group Rating Plan

For fiscal year 2021, the Educational Service Center participated in the Cincinnati USA Chamber of Commerce group rating program (GRP), an insurance purchasing pool (See Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience, and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative, cost control, and actuarial services to the GRP.

Employee Medical and Dental Benefits

The Educational Service Center participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 13) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The Educational Service Center is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

Note 8 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension/OPEB liability (asset) reported on the statement of net position represents a liability to (asset for) employees for pensions/OPEB. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the 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 long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See note 9 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

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

The Educational Service Center's contractually required contributions to SERS were $295,310 for fiscal year 2021.

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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes 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 must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The Educational Service Center's contractually required contributions to STRS were $275,107 for fiscal year 2021.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Current Measurement Date	0.05532050%	0.02258689%	
Proportion of the Net Pension Liability Prior Measurement Date	0.04912140%	0.02132628%	
Change in Proportionate Share	0.00619910%	0.00126061%	
Proportionate Share of the Net Pension Liability	$3,659,014	$5,465,224	$9,124,238
Pension Expense	$650,942	$889,997	$1,540,939

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$7,108	$12,261	$19,369
Net difference between projected and actual earnings on pension plan investments	232,274	265,775	498,049
Changes of assumptions	0	293,377	293,377
Changes in proportion and differences between Educational Service Center contributions and proportionate share of contributions	233,929	418,557	652,486
Educational Service Center contributions subsequent to the measurement date	295,310	275,107	570,417
Total Deferred Outflows of Resources	$768,621	$1,265,077	$2,033,698
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$34,946	$34,946
Changes in proportion and differences between Educational Service Center contributions and proportionate share of contributions	13,784	17,168	30,952
Total Deferred Inflows of Resources	$13,784	$52,114	$65,898

$570,417 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 year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	$141,578	$333,989	$475,567
2023	148,407	232,852	381,259
2024	96,817	200,825	297,642
2025	72,725	170,190	242,915
Total	$459,527	$937,856	$1,397,383

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Educational Service Center's proportionate share of the net pension liability	$5,012,403	$3,659,014	$2,523,496

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's proportionate share of the net pension liability	$7,781,527	$5,465,224	$3,502,350

Social Security System

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

Note 9 – Postemployment Benefits

See note 8 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Educational Service Center's surcharge obligation was $41,436.

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 $41,436 for fiscal year 2021.

State Teachers Retirement System (STRS)

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

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

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	0.05749660%	0.02258689%	
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.05033170%	0.02132628%	
Change in Proportionate Share	0.00716490%	0.00126061%	
Proportionate Share of the Net OPEB Liability	$1,249,589	$0	$1,249,589
Proportionate Share of the Net OPEB Asset	$0	($396,964)	($396,964)
OPEB Expense	$71,190	($6,923)	$64,267

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$16,412	$25,436	$41,848
Net difference between projected and actual earnings on OPEB plan investments	14,080	13,911	27,991
Changes of assumptions	213,012	6,553	219,565
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	222,612	66,446	289,058
Educational Service Center contributions subsequent to the measurement date	41,436	0	41,436
Total Deferred Outflows of Resources	$507,552	$112,346	$619,898
Deferred Inflows of Resources			
Differences between expected and actual experience	$635,503	$79,067	$714,570
Changes of assumptions	31,474	377,049	408,523
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	30,141	0	30,141
Total Deferred Inflows of Resources	$697,118	$456,116	$1,153,234

$41,436 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	($48,345)	($85,822)	($134,167)
2023	(272,143)	(76,408)	(348,551)
2024	151,355	(73,108)	78,247
2025	(40,876)	(71,826)	(112,702)
2026	(20,993)	(17,719)	(38,712)
Thereafter	0	(18,887)	(18,887)
Total	($231,002)	($343,770)	($574,772)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Educational Service Center's proportionate share of the net OPEB liability	$1,529,466	$1,249,589	$1,027,088

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Educational Service Center's proportionate share of the net OPEB liability	$983,956	$1,249,589	$1,604,808

Actuarial Assumptions – STRS

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

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

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

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

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

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

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 does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's proportionate share of the net OPEB asset	($345,385)	($396,964)	($440,728)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	($438,011)	($396,964)	($346,963)

Note 10 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from State laws. Eligible classified employees earn 10 to 30 days of vacation per fiscal year, depending upon length of service. Administrators earn 10 to 30 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the accumulation of the number of sick days. Upon retirement, payment is made for 25 percent of the employees' accumulated sick leave with a maximum payment being limited to 50 days. Unused personal days are converted to sick days for all employees on June 30th of each fiscal year.

Other Employee Benefits

The Educational Service Center provides term life insurance and accidental death and dismemberment insurance to all of its full-time employees through Metlife.

125 Plan

The Educational Service Center provides its full-time employees an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that fiscal year. Any monies not used by the end of the plan year are forfeited to the general fund. Employees may elect to have plan benefit dollars applied to a dependent care assistance plan, an insurance premium payment plan, and/or for medical expense reimbursements. Participation is renewed annually with each fiscal year beginning August 1 and ending July 31. This plan has been included as a custodial fund and is administered by Business Plans.

Note 11 – Leases – Lessee Disclosure

The Educational Service Center leases building space under a non-cancelable operating lease. This operating lease is for a five year period beginning July 1, 2019 and ending on June 30, 2024. The lease will automatically renew for an additional five year period unless either party provides written notice to the other of its intent to decline the automatic renewal option not less than twelve months prior to expiration. Operating lease payments are reported as functional expenditures in the General Fund. Total operating lease payments in fiscal year 2021 were $56,699. Future lease payments are as follows:

Year	Amount
2022	$64,946
2023	67,544
2024	69,570
Total	$202,060

Note 12 – Long-Term Obligations

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

	Balance at 6/30/20	Increase	Decrease	Balance at 6/30/21	Due Within One Year
Governmental Activities					
Net Pension Liability					
SERS	$2,939,019	$719,995	$0	$3,659,014	$0
STRS	4,716,179	749,045	0	5,465,224	0
Total Net Pension Liability	7,655,198	1,469,040	0	9,124,238	0
Net OPEB Liability					
SERS	1,265,736	0	(16,147)	1,249,589	0
Total Net OPEB Liability	1,265,736	0	(16,147)	1,249,589	0
Compensated Absences	360,044	195,759	(140,056)	415,747	28,175
Total	$9,280,978	$1,664,799	($156,203)	$10,789,574	$28,175

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. There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the same funds from which employees are paid. For additional information related to the net pension/OPEB liability, see notes 8 and 9.

Note 13 – Jointly Governed Organization, Insurance Purchasing Pool, and Public Entity Shared Risk Pool

Jointly Governed Organization

The Educational Service Center is a participant in the Hamilton Clermont Cooperative Information Technology Center (HCC) which is a computer consortium. HCC is an association of 31 public school districts within the boundaries of Hamilton, Clermont and surrounding counties. HCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The Governing Board of HCC consists of the superintendents and/or treasurers of the participating districts. HCC is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. During fiscal year 2021, the Educational Service Center paid HCC $6,541 for various services. Financial information can be obtained from the Director at 1007 Cottonwood Drive, Loveland, Ohio 45140.

Insurance Purchasing Pool

The Educational Service Center participates in the Cincinnati USA Chamber of Commerce Group Rating Program, an insurance purchasing pool. Each year, the Educational Service Center pays an enrollment fee to Sheakley to cover the costs of administering the program.

Public Entity Shared Risk and Insurance Purchasing Pool

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the Consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Career and Technical Center, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members' employees and their dependents. The Consortium contracts with United Healthcare to provide medical insurance directly to Consortium member employees. The Educational Service Center pays premiums to the Consortium based on employee membership. For dental coverage the Consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the Consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third-party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 931 Hamer Road, Georgetown, Ohio 45121.

Note 14 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2021, if applicable, cannot be determined at this time.

Litigation

There are currently no matters in litigation with the Educational Service Center as defendant.

Note 15- Significant Commitments

Encumbrances

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

Major Fund:	
General	$98,369
Nonmajor Fund:	
ESSER Grant	254
Total	$98,623

Note 16 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

	General Fund	Early Childhood Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory	$204,569	$0	$0	$204,569
Prepaid Items	9,391	0	0	9,391
Total Nonspendable	213,960	0	0	213,960
Assigned to				
Purchases on Order	94,132	0	0	94,132
Unassigned (Deficit)	665,449	0	(28,257)	637,192
Total Fund Balances	$973,541	$0	($28,257)	$945,284

Note 17 – Accountability

At June 30, 2021, the ESSER Grant and IDEA Early Childhood Education Special Revenue Funds had deficit balances of $25,029 and $3,228, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Note 18 – Interfund Activity

lnterfund balances at June 30, 2021 consist of the following individual interfund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Funds:		
General	$403	$0
Nonmajor Funds:		
ESSER Grant	0	265
IDEA Early Childhood Grant	0	138
Total	$403	$403

The balance due to the General Fund are a result of negative cash balances in other funds, which is due to timing differences in the receiving of grant monies. The General Fund is responsible for any deficit in these funds and interfund transactions were established to cover these expenditures. The purpose for the interfund balances is to eliminate the negative cash balances in these funds until grant monies are received.

Note 19 – COVID-19

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

During fiscal year 2021, the Educational Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in the amount of $142,693. Of the amounts received, none was sub-granted to other governments and organizations, returned to the granting agency, or spent on-behalf of other governments. The Educational Service Center did not receive significant donated personal protective equipment as an on-behalf of grant from another government.

Note 20 – Change in Accounting Principles and Restatement of Net Position

For fiscal year 2021, the Educational Service Center implemented GASB Statement No. 84, "Fiduciary Activities" and related guidance from (GASB) Implementation Guide No. 2019-2, "Fiduciary Activities." GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Educational Service Center will no longer be reporting agency funds. The Educational Service Center reviewed its agency fund, and it will now be reported in the new fiduciary fund classification of custodial funds.

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of July 1, 2020:

	Fiduciary Fund
	Custodial
Net Position, As Reported, June 30, 2020	$0
GASB 84 Adjustment	10,647,242
Net Position, As Restated, July 1, 2020	$10,647,242

Note 21 – Subsequent Events

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

Brown County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021
State Teachers Retirement System								
Educational Service Center's proportion of the net pension liability	0.01821580%	0.01821580%	0.01769088%	0.01852055%	0.01862016%	0.02122682%	0.02132628%	0.02258689%
Educational Service Center's proportionate share of the net pension liability	$5,277,836	$4,430,712	$4,889,241	$6,199,387	$4,423,260	$4,667,302	$4,716,179	$5,465,224
Educational Service Center's covered-employee payroll	$1,819,615	$1,855,246	$1,854,743	$1,937,571	$2,118,821	$2,455,814	$2,494,543	$2,737,786
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.1%	238.8%	263.6%	320.0%	208.8%	190.1%	189.1%	199.6%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%
School Employees Retirement System								
Educational Service Center's proportion of the net pension liability	0.03659200%	0.03659200%	0.03572920%	0.04212930%	0.04696730%	0.04834080%	0.04912140%	0.05532050%
Educational Service Center's proportionate share of the net pension liability	$2,176,009	$1,851,900	$2,038,742	$3,083,477	$2,806,192	$2,768,566	$2,939,019	$3,659,014
Educational Service Center's covered-employee payroll	$1,242,189	$1,066,732	$1,094,370	$1,337,321	$1,493,564	$1,684,533	$1,717,985	$1,781,993
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.2%	173.6%	186.3%	230.6%	187.9%	164.4%	171.1%	205.3%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%

The amounts presented are as of the Educational Service Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See the accompanying notes to the required supplementary information.

Brown County Educational Service Center

Required Supplementary Information

Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)

Last Five Fiscal Years

	2017	2018	2019	2020	2021
State Teachers Retirement System					
Educational Service Center's proportion of the net OPEB liability (asset)	0.01852055%	0.01862016%	0.02122682%	0.02132628%	0.02258689%
Educational Service Center's proportionate share of the net OPEB liability (asset)	$990,484	$726,490	($341,093)	($353,214)	($396,964)
Educational Service Center's covered-employee payroll	$1,937,571	$2,118,821	$2,455,814	$2,494,543	$2,737,786
Educational Service Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	51.1%	34.3%	-13.9%	-14.2%	-14.5%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%
School Employees Retirement System					
Educational Service Center's proportion of the net OPEB liability	0.04230980%	0.04756990%	0.04907550%	0.05033170%	0.05749660%
Educational Service Center's proportionate share of the net OPEB liability	$1,205,986	$1,276,651	$1,361,487	$1,265,736	$1,249,589
Educational Service Center's covered-employee payroll	$1,337,321	$1,493,564	$1,684,533	$1,717,985	$1,781,993
Educational Service Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	90.2%	85.5%	80.8%	73.7%	70.1%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%

The amounts presented are as of the Educational Service Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See the accompanying notes to the required supplementary information.

Brown County Educational Service Center
Required Supplementary Information
Schedule of Educational Service Center Contributions
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
State Teachers Retirement System										
Contractually required contribution - pension	$247,854	$236,550	$241,182	$259,664	$271,260	$296,635	$343,814	$349,236	$383,290	$275,107
Contractually required contribution - OPEB	19,066	18,196	18,590	0	0	0	0	0	0	0
Contractually required contribution - total	266,920	254,746	259,772	259,664	271,260	296,635	343,814	349,236	383,290	275,107
Contributions in relation to the contractually required contribution	266,920	254,746	259,772	259,664	271,260	296,635	343,814	349,236	383,290	275,107
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Educational Service Center's covered-employee payroll	$1,906,569	$1,819,615	$1,855,246	$1,854,743	$1,937,571	$2,118,821	$2,455,814	$2,494,543	$2,737,786	$1,965,050
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
School Employees Retirement System										
Contractually required contribution - pension	$130,340	$171,919	$147,849	$144,238	$187,225	$209,099	$227,412	$231,928	$249,479	$295,310
Contractually required contribution - OPEB (1)	5,802	4,220	1,474	8,974	0	0	8,423	8,590	0	0
Contractually required contribution - total	136,142	176,139	149,323	153,212	187,225	209,099	235,835	240,518	249,479	295,310
Contributions in relation to the contractually required contribution	136,142	176,139	149,323	153,212	187,225	209,099	235,835	240,518	249,479	295,310
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Educational Service Center's covered-employee payroll	$969,071	$1,242,189	$1,066,732	$1,094,370	$1,337,321	$1,493,564	$1,684,533	$1,717,985	$1,781,993	$2,109,357
Contributions as a percentage of covered-employee payroll - pension	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.
See the accompanying notes to the required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2019 through 2021.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extent the current Medicare Part B partial reimbursement for one year.

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% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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.

Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
    - Medical Medicare – 6 percent initial, 4 percent ultimate
    - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
    - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
    - Prescription Drug Pre-Medicare – -5.23 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
    - Medical Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
    - Medical Pre-Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
    - Prescription Drug Medicare – from 8 percent to 7.73 percent initial, 4 percent ultimate
    - Prescription Drug Pre-Medicare – from -5.23 percent to 9.62 initial, 4 percent ultimate

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
    - Medical Medicare – from 5.87 percent to -6.69 percent initial, 4 percent ultimate
    - Medical Pre-Medicare – from 4.93 percent to 5 percent initial, 4 percent ultimate
    - Prescription Drug Medicare – from 7.73 percent to 6.5 percent initial, 4 percent ultimate
    - Prescription Drug Pre-Medicare – from 9.62 percent to 11.87 initial, 4 percent ultimate

School Employees Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percenter beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disable member was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

There were no changes in assumptions for fiscal years 2019 through 2021.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2020.

Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates,set back five years is used for the period after disability retirement.

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percenter to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:

    - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
    - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:

    - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
    - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Brown County Educational Service Center
9231 B Hamer Road
Georgetown, Ohio 45121

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown County Educational Service Center, Brown County, Ohio (the Educational Service Center) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements, and have issued our report thereon dated February 10, 2023, wherein we noted that the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Educational Service Center. We also noted the Educational Service Center restated its beginning Fiduciary net position as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities" for the fiscal year ended June 30, 2021.

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 opinions 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 may exist that were not identified.

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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.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

February 10, 2023

OHIO AUDITOR OF STATE
KEITH FABER

BROWN COUNTY EDUCATIONAL SERVICE CENTER

BROWN 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 4/13/2023

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