CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

BUTLER COUNTY

SINGLE AUDIT

YEAR ENDED JUNE 30, 2023

OHIO AUDITOR OF STATE
KEITH FABER

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

Members of the Board
Butler County Educational Service Center
400 N. Erie Hwy Ste A
Hamilton, OH 45011

We have reviewed the *Independent Auditor's Report* of the Butler County Educational Service Center, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2022 through June 30, 2023. 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. The Butler County Educational Service Center is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2024

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

INDEPENDENT AUDITORS' REPORT

To the Governing Board
Butler County Educational Service Center:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Butler County Educational Service Center (the Service Center), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Butler County Educational Service Center, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Butler County 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Butler County 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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Butler County Educational Service Center 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 Butler County Educational Service Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the tables of contents, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler County Educational Service Center's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Butler County Educational Service Center (ESC) for the fiscal year ended June 30, 2023. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the ESC's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2023 are listed below:

- The liabilities and deferred inflows of resources of the ESC exceeded its assets and deferred outflows of resources at year-end by $27,943,876. The deficit net position balance was driven by the recognition of the ESC's proportionate share of net pension liabilities of $41,649,372 and net OPEB liabilities of $6,291,483.
- In total, net position decreased by $3,655,709.
- The ESC had $54,181,575 in expenses related to governmental activities; $45,779,234 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of $4,746,632 provided additional funding.
- The General Fund balance increased by $1,477,721 from $12,638,240 at June 30, 2022 to $14,115,961 at June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the ESC's basic financial statements. The ESC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the ESC's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the ESC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the ESC is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the ESC that are principally supported by contract services and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the ESC include instruction, support services, administration and operation and maintenance of plant. The ESC has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The ESC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the ESC can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The ESC accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the ESC as a whole. Some funds are required to be established by State law. Also, the ESC may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the ESC's own programs.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the ESC's overall financial position at June 30, 2023 and 2022:

	FY2023	FY2022
Current and other assets	$ 20,547,043	$ 24,972,261
Capital assets	3,452,227	3,645,754
Total assets	23,999,270	28,618,015
Deferred outflows of resources	12,370,390	11,480,159
Other liabilities	3,887,725	3,121,362
Long term liabilities:		
Net pension liability	41,649,372	25,794,928
Net OPEB liability	6,291,483	8,195,063
Other long term liabilities	1,448,222	3,243,181
Total liabilities	53,276,802	40,354,534
Deferred inflows of resources	11,036,734	24,031,807
Net position:		
Net investment in capital assets	3,168,140	1,479,134
Restricted	1,191,848	7,690,641
Unrestricted (deficit)	(32,303,864)	(33,457,942)
Total net position	$ (27,943,876)	$ (24,288,167)

The net pension liability is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27.* The net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the ESC's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability/(asset) equal the ESC's proportionate share of each plan's collective:

1. Present value of estimated future pension and OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB Statement Nos. 68 and 75, the ESC's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability, net OPEB liability and net OPEB asset, respectively, not accounted for as deferred inflows/outflows.

A significant portion of the ESC's positive net position ($1,191,848) represents resources that are subject to external restrictions on how they may be used. A portion of the ESC's net position ($3,168,140) reflects its net investment in capital assets. Capital assets are used to provide services to citizens and thus, these assets are not available for future spending. Unrestricted net position may be used to meet the ESC's ongoing obligations to students and creditors.

The unrestricted net position (deficit) at June 30, 2023 was ($32,303,864). However, if the components of recording the net pension liability and net OPEB asset/liability are removed, the ESC's unrestricted net position would be a positive $12,387,836. We feel this is important to mention as the management of the ESC has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension liability and net OPEB asset/liability that significantly impact the ESC's financial statements.

Total assets decreased by $4,618,745, or 16%. The decrease in current and other assets was driven by a decrease in receivables, with the winding down of pandemic-related grant funding.

Total liabilities, excluding the net pension and net OPEB liabilities, decreased by $1,028,596, or 16%, primarily due to paying off the lease-purchase agreement early. The net pension liability increased significantly due to a volatile investment market; the School Employees Retirement System (SERS) reported an annual money-weighted rate of return of -1.93% (compared to 28.18% in the prior year), while the State Teachers Retirement System (STRS) reported an annual money-weighted rate of return of -3.55% (compared to 29.24% in the prior year).

B. Governmental Activities during fiscal year 2023

The following table presents a condensed summary of the ESC's activities during fiscal years 2023 and 2022 and the resulting change in net position:

	FY2023	FY2022
Revenues:		
Program revenues:		
Charges for services and sales	$ 31,456,031	$ 27,068,900
Operating grants and contributions	14,323,203	19,722,582
Total program revenues	45,779,234	46,791,482
General revenues:		
Grants and entitlements	1,521,873	1,478,003
Investment earnings	444,343	30,126
Miscellaneous	2,780,416	2,993,289
Total general revenues	4,746,632	4,501,418
Total revenues	50,525,866	51,292,900
Expenses:		
Instruction	17,460,713	14,929,900
Support services:		
Pupil	20,703,707	17,068,616
Instructional staff	1,222,108	1,148,973
Governing Board	24,780	21,647
Administration	4,861,777	4,100,538
Fiscal	753,953	760,017
Operation and maintenance of plant	2,357,786	2,166,646
Pupil transportation	167,285	102,455
Central	2,774,078	2,471,255
Community service	3,792,535	3,378,384
Interest and fiscal charges	62,853	90,565
Total expenses	54,181,575	46,238,996
Change in net position	(3,655,709)	5,053,904
Beginning net position	(24,288,167)	(29,342,071)
Ending net position	$ (27,943,876)	$ (24,288,167)

Of the total governmental activities revenues of $50,525,866, $45,779,234 (91%) is from program revenue. This means that the ESC relies primarily on program revenue to fund the majority of the cost of services. General revenues provide the additional funding needed for the remaining cost of services provided to the citizens. Of those general revenues, $1,521,873 (32%) is from state funding.

The ESC experienced a decrease of $767,034, or 1%, in total revenue, while total expenses increased by approximately $7.9 million, or 17%. The decrease in revenue was driven by winding down of pandemic-related grant funding.

The increase in expenses was primarily due to increases in pension expenses between fiscal years, with pension expenses increasing from $1.1 million in fiscal year 2022 to $4.5 million in fiscal year 2023. The financial performance of the state-wide retirement systems can vary significantly between years due to investment market fluctuations, changes in assumptions and differences between actuarial expectations compared to actual results, all of which are beyond the control of ESC's management. Other increases were driven by in personnel costs and contractual services across multiple functions.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 84.5% of the cost of the general government programs was recouped in program revenues. Support services costs were $32,865,474, but program revenue contributed to fund 83.6% of those costs. Thus, general revenues were used to support the remainder of the support services costs.

Governmental Activities

		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	$	17,460,713	17,168,773	98.3%	291,940
Support services		32,865,474	27,460,261	83.6%	5,405,213
Community service		3,792,535	1,150,200	30.3%	2,642,335
Interest and fiscal charges		62,853	-	0.0%	62,853
Total	$	54,181,575	45,779,234	84.5%	8,402,341

FINANCIAL ANALYSIS OF THE ESC'S INDIVIDUAL FUNDS

Governmental funds

The ESC has three major governmental funds: the General Fund, the Federal Head Start Fund and the Miscellaneous Special Revenue Fund. Assets of these three funds comprise $19,331,774 (97%) of the total $20,003,544 in governmental funds' assets.

General Fund. Fund balance at June 30, 2023 was $14,115,961, with an unassigned fund balance of $13,763,887. The fund balance increased by $1,477,721. The unassigned fund balance represents approximately 40% of current-year general fund expenditures. Total revenue increased by 15%, due to more demand for contractual services, such as alternative education at Union Day, Project Life at Butler Tech, jail services at juvenile detention centers, technology services, and an increased demand for substitutes, as the ESC hires all the substitutes for Butler County schools. These increases also led to an 18% increase in expenditures.

Federal Head Start Fund. This fund is used to account for the activity related to the federal grant for the Head Start program. The fund balance at June 30, 2023 will be used to meet program requirements.

Miscellaneous Special Revenue Fund. This fund is used to account for miscellaneous local programs that are funded by grants and contributions. The fund experienced a decrease in fund balance of $539,139 due to expansions of existing programs, such as Ohio Children Trust Fund program.

GENERAL FUND BUDGETARY HIGHLIGHTS

There are no requirements for the ESC identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The annual appropriation resolution is legally enacted by the ESC at the fund level of expenditures, which is the legal level of budgetary control. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

The schedule comparing the ESC's original and final budgets and actual results is included in the supplementary information. Overall, the final budgets increased from the original budgets as the ESC received data on actual programs provided and adjusted accordingly.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2023, the ESC had invested in capital assets, including furniture, equipment, vehicles, buildings and improvements, and right-to-use office space. See Note 3 to the financial statements for more detail.

Capital Assets at Year-End
(Net of Depreciation)

	FY2023	FY2022
Land	$ 477,184	$ 477,184
Equipment and furniture	1,185,590	1,198,448
Vehicles	314,762	226,918
Buildings and improvements	1,203,496	1,280,576
Right-to-use leased office space	271,195	462,628
Total	$ 3,452,227	$ 3,645,754

Debt. The ESC entered into a lease-purchase agreement for the purchase and improvement of new office facilities in October 2009 and paid it off early during the fiscal year. Additionally, the ESC leases office space for the Union Day Therapeutic School and is scheduled to expire in 2024. See Note 6 to the financial statements for more detail.

ECONOMIC FACTORS

The Ohio Department of Education is going to be releasing a third round of Governor's Emergency Education Relief ("GEER II SNS") to give support for non-public schools.

The ESC was awarded additional funding for Early Childhood Education from the Ohio Department of Education.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Butler County Educational Service Center, 400 N. Erie Blvd. Suite A, Hamilton, Ohio 45011.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 15,955,600
Receivables:	
Accounts	900,106
Interest	57,478
Intergovernmental	1,673,648
Prepaids	44,712
Net OPEB asset	1,915,499
Nondepreciable capital assets	477,184
Depreciable capital assets, net	2,975,043
Total assets	23,999,270
Deferred Outflows of Resources:	
Pension	9,993,320
OPEB	2,377,070
Total deferred outflows of resources	12,370,390
Liabilities:	
Accounts payable	374,168
Accrued wages and benefits	3,342,593
Intergovernmental payable	170,964
Noncurrent liabilities:	
Due within one year	444,076
Due within more than one year:	
Net pension liability	41,649,372
Net OPEB liability	6,291,483
Other amounts due more than one year	1,004,146
Total liabilities	53,276,802
Deferred Inflows of Resources:	
Pension	2,773,215
OPEB	8,263,519
Total deferred inflows of resources	11,036,734
Net Position:	
Net investment in capital assets	3,168,140
Restricted for:	
OPEB benefits	487,271
Other purposes	704,577
Unrestricted (deficit)	(32,303,864)
Total net position	$ (27,943,876)

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Statement of Activities
Year Ended June 30, 2023

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Current:				
Instruction:				
Regular	$ 8,373,427	$ 9,247,775	$ 187,941	$ 1,062,289
Special education	8,747,891	6,056,471	1,676,586	(1,014,834)
Adult/continuing	339,395	-	-	(339,395)
Support services:				
Pupil	20,703,707	10,437,861	8,249,773	(2,016,073)
Instructional staff	1,222,108	623,996	517,539	(80,573)
Governing Board	24,780	-	-	(24,780)
Administration	4,861,777	1,018,963	1,444,701	(2,398,113)
Fiscal	753,953	-	112,825	(641,128)
Operation and maintenance of plant	2,357,786	1,319,141	621,305	(417,340)
Pupil transportation	167,285	186,816	-	19,531
Central	2,774,078	2,565,008	362,333	153,263
Non-instructional services:				
Community service	3,792,535	-	1,150,200	(2,642,335)
Interest and fiscal charges	62,853	-	-	(62,853)
Total Governmental Activities	$ 54,181,575	$ 31,456,031	$ 14,323,203	(8,402,341)

General Revenues:	
Grants and entitlements not restricted to specific programs	1,521,873
Investment earnings	444,343
Miscellaneous	2,780,416
Total general revenues	4,746,632
Change in net position	(3,655,709)
Net position beginning of year (deficit)	(24,288,167)
Net position end of year (deficit)	$ (27,943,876)

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Balance Sheet
Governmental Funds
June 30, 2023

	General	Federal Head Start	Miscellaneous Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	$ 13,669,738	$ 228,305	$ 1,467,898	$ 589,659	$ 15,955,600
Receivables:					
Accounts	712,818	-	187,288	-	900,106
Interest	57,478	-	-	-	57,478
Intergovernmental	810,000	662,246	122,495	78,907	1,673,648
Prepaid items	30,819	8,055	2,634	3,204	44,712
Interfund receivable	1,372,000	-	-	-	1,372,000
Total assets	16,652,853	898,606	1,780,315	671,770	20,003,544
Liabilities:					
Accounts payable	96,263	50,793	162,704	64,408	374,168
Accrued wages and benefits	2,142,745	642,465	420,582	136,801	3,342,593
Intergovernmental payable	95,319	54,714	14,067	6,864	170,964
Interfund payable	-	78,000	906,000	388,000	1,372,000
Compensated absences payable	23,538	3,718	12,933	4,315	44,504
Total liabilities	2,357,865	829,690	1,516,286	600,388	5,304,229
Deferred Inflows of Resources:					
Unavailable revenue	179,027	-	141,424	4,595	325,046
Fund Balances:					
Nonspendable	30,819	8,055	2,634	3,204	44,712
Restricted	-	60,861	119,971	248,166	428,998
Assigned	321,255	-	-	-	321,255
Unassigned	13,763,887	-	-	(184,583)	13,579,304
Total fund balances	14,115,961	68,916	122,605	66,787	14,374,269
Total liabilities, deferred inflows of resources and fund balances	$ 16,652,853	$ 898,606	$ 1,780,315	$ 671,770	$ 20,003,544

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total Governmental Fund Balance		$ 14,374,269
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,452,227
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		325,046
Long-term liabilities, including the lease liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds:		
Lease liabilities	(284,087)	
Compensated absences	(1,119,631)	(1,403,718)
The net pension and net OPEB liabilities are not due and payable in the current period. The net OPEB assets are not available to pay for current period expenditures. Therefore, the assets, liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:		
Deferred outflows - pension and OPEB	12,370,390	
Deferred inflows - pension and OPEB	(11,036,734)	
Net OPEB asset	1,915,499	
Net pension liability	(41,649,372)	
Net OPEB liability	(6,291,483)	(44,691,700)
Net Position of Governmental Activities		$ (27,943,876)

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General	Federal Head Start	Miscellaneous Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:					
Contractual services	$ 31,052,622	$ -	$ -	$ -	$ 31,052,622
Tuition and fees	348,836	-	-	-	348,836
Interest	400,024	-	-	8,763	408,787
Intergovernmental	1,521,873	11,213,736	4,261,676	2,956,269	19,953,554
Other local revenues	2,762,880	-	1,118,259	197,507	4,078,646
Total revenues	36,086,235	11,213,736	5,379,935	3,162,539	55,842,445
Expenditures:					
Current:					
Instruction:					
Regular	8,406,209	-	76,864	117,280	8,600,353
Special education	5,452,967	2,382,375	132,689	770,672	8,738,703
Other instruction	-	-	-	339,395	339,395
Support services:					
Pupil	9,612,974	4,640,200	5,299,021	1,198,315	20,750,510
Instructional staff	571,986	563,273	-	113,480	1,248,739
Governing Board	25,018	-	-	-	25,018
Administration	2,479,726	1,400,254	74,783	490,794	4,445,557
Fiscal	570,847	159,089	-	38,130	768,066
Operation and maintenance of plant	1,226,463	1,057,928	-	96,919	2,381,310
Pupil transportation	172,010	-	-	-	172,010
Central	2,441,765	36,068	285,778	90,714	2,854,325
Non-instructional services:					
Community service	1,697,350	2,155,950	49,939	4,772	3,908,011
Debt Service:					
Principal	1,882,533	-	-	-	1,882,533
Interest and fiscal charges	68,666	-	-	-	68,666
Total expenditures	34,608,514	12,395,137	5,919,074	3,260,471	56,183,196
Net change in fund balance	1,477,721	(1,181,401)	(539,139)	(97,932)	(340,751)
Fund balance, beginning of year	12,638,240	1,250,317	661,744	164,719	14,715,020
Fund balance, end of year	$ 14,115,961	$ 68,916	$ 122,605	$ 66,787	$ 14,374,269

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	$ (340,751)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense:	
Capital asset additions	847,582
Depreciation and amortization expense	(708,573)
Losses on the sale or disposal of capital assets are reported on the statement of activities and not as expenditures of the governmental funds.	(332,536)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,882,533
In the statement of activities, interest is accrued on the outstanding lease-purchase, whereas in governmental funds, an interest expenditure is reported when due.	5,813
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current resources and therefore are not reported as expenditures in governmental funds.	(61,411)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(5,316,579)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred statement of net position:	
Pension	4,368,400
OPEB	175,767
Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liabilities and net OPEB assets and liabilities are reported as pension expense and OPEB expense in the statement of activities:	
Pension	(4,546,714)
OPEB	370,760
Change in Net Position of Governmental Activities	$ (3,655,709)

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Statement of Net Position
Fiduciary Fund
June 30, 2023

	Custodial
ASSETS	
Equity in pooled cash and investments	$ 800,792
Accounts receivable	133,611
Prepaid items	2,894
Intergovernmental receivable	499,916
Total assets	1,437,213
LIABILITIES	
Accounts payable	21,025
Due to other governments	814,804
Total liabilities	835,829
NET POSITION	
Restricted for other organizations	$ 601,384

See accompanying notes to the basic financial statements.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2023

	Custodial
Additions:	
Intergovernmental funds for other organizations	$ 2,230,932
Interest earnings for other organizations	11,233
Other amounts collected for other organizations	1,084,830
Total additions	3,326,995
Deductions:	
Distributions as fiscal agent	3,114,881
Total deductions	3,114,881
Change in net position	212,114
Net position, beginning of year	389,270
Net position, end of year	$ 601,384

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Butler County Educational Service Center (the "ESC") 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 ESC's accounting policies are described below.

A. Reporting Entity

Butler County Educational Service Center is the successor to the former Butler County Board of Education. County boards of education were formed in Ohio as a result of the passage of Senate Bill 9, in 1914. In 1995, Am. Sub. H.B. 117 authorized the creation of Educational ESCs and abolished county school districts. That legislation also changed the “Board of Education” to the “Governing Board”.

The Governing Board consists of 5 members elected by the voters of the County. This board acts as the authorizing body for expenditures, policy and procedures, and approves all financial activities. The ESC provides services to approximately 54,000 students in nine school districts throughout the County.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the ESC. This includes general and preschool operations. Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's governing board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt, or the levying of taxes. The ESC has no component units.

The ESC serves as the fiscal agent for the Butler County Family and Children First Council but is not accountable as defined in GASB Statement No. 61 for this organization, so these activities have been included in the ESC's financial statements as a custodial fund. The Family and Children First Council is a separate agency, which provides services to qualified Butler County families and children.

The ESC is associated with two organizations, one of which is defined as an insurance purchasing pool and one is a jointly governed organization. These organizations are the Southwest Ohio Computer Association and the Butler Health Plan. The organizations are presented in Notes 9 and 10 to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

B. Basis of Presentation

Government-wide Financial Statements. The statement of net position and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the ESC that are governmental and those that are considered business-type activities. The ESC has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the ESC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the ESC, 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 ESC.

Fund Financial Statements. Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflow of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Fiduciary fund operating statements present additions to (i.e., revenues) and deductions from (i.e., expenses) net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

C. Fund Accounting

The ESC uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain ESC functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the ESC are grouped into the categories governmental and fiduciary.

Governmental Funds focus 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 of governmental fund assets less liabilities and deferred inflows of resources is reported as fund balance. The following are the ESC's major governmental funds:

> ***General Fund*** - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the ESC for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Federal Head Start Fund*** – This fund is used to account for the Federal Head Start grants.
>
> ***Miscellaneous Special Revenue Fund*** – This fund is used to account for miscellaneous local programs funded grants and contributions.

Fiduciary Funds report on net position and changes in net position. The ESC's fiduciary funds consist of a custodial fund. These assets are not available for the ESC's use. Custodial funds are used to account for the ESC's fiscal agent activities for Butler County Family and Children First Council.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the ESC is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, accounts and grants.

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, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the ESC receives value without directly giving 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the ESC must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred Inflows of Resources. In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the ESC, deferred inflows of resources represent receivables that will not be collected within the available period (sixty days after fiscal year-end), pension and OPEB. Deferred inflows of resources from unavailable revenue are reported only on the governmental funds' balance sheet. Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 4 and 5).

Deferred Outflows 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 assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the ESC, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB (see Notes 4 and 5).

E. Cash and Investments

To improve cash management, all cash received by the ESC is pooled in central bank accounts. Monies for all funds are maintained in this pool and individual fund integrity is maintained through ESC records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

During fiscal year 2023, investments were limited to commercial paper, brokered certificates of deposit, U.S. Agency securities, money market funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provide by STAR Ohio on an amortized cost basis at June 30, 2023, which approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the General Fund except for those specifically related to the custodial funds in accordance with Board policy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

F. Capital Assets and Depreciation

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements, as well as right-to-use leased assets. The ESC defines capital assets as those with an individual cost of more than $1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition cost as of the date received. The ESC does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Right-to-use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets are depreciated except for land. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	10 years
Equipment and furniture	5 years
Building and improvements	20-50 years

G. Interfund Balances

On fund financials, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities’ column of the statement of net position.

H. 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 ESC will compensate the employees for the benefits through paid time off or some other means. 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 ESC 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 ESC's termination policy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The ESC records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and/or 20 years of service regardless of age were considered expected to retire.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only if they have matured, for example, as a result of employee resignations and retirements.

I. 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 during the current fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

J. Pensions/Other Postemployment Benefits (OPEB)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the ESC 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 a spendable form, or legally or contractually required to be maintained intact. The "not in a spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the ESC 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 ESC Governing Board. The Board has authorized the Treasurer to assign fund balance for purchases on order provided those 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 balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The ESC 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.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the ESC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. 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.

2. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the ESC into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the ESC 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 ESC has identified as not required for use within the current two-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.

2. DEPOSITS AND INVESTMENTS *(continued)*

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.

Protection of the ESC's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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, government national mortgage association, and student loan marketing 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 that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper notes issued by any corporation for profit that is incorporated under the laws of the United States or any state pursuant to specifications within Ohio Revised Code.
8. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations meet specifications within Ohio Revised Code.

2. DEPOSITS AND INVESTMENTS *(continued)*

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 ESC, 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 “Deposit and Investment Risk Disclosures”:

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the ESC’s deposits may not be returned to it. The ESC does not have a custodial credit risk policy. At year-end, $1,558,518 of the ESC’s bank balance of $1,808,518 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the ESC’s name.

Investments

The ESC’s investments at June 30, 2023 consist of the following:

	Balance at 6/30/23	Average Weighted Maturity (in years)	Concentration	S&P Ratings
Fair Value				
Level 2				
Commercial Paper	$ 1,635,042	0.22	11.5%	A-1+ / A-1
Brokered CD's	1,966,253	1.91	13.9%	not rated
U.S. Agency Securities	404,318	2.84	2.9%	AA+
Amortized Cost				
Money markets	34,338	0.04	0.2%	AAAm
STAR Ohio	10,133,353	0.11	71.5%	AAAm
	$ 14,173,304			

2. DEPOSITS AND INVESTMENTS *(continued)*

Credit Risk

It is the ESC's policy to limit its investments that are not obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government to investments which have a credit quality rating of the top two ratings by nationally recognized statistical rating organizations.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The ESC's investment securities are registered in the name of the ESC.

Concentration of Credit Risk

The ESC's policy places no limit on the amount it may invest in any one issuer.

Interest Rate Risk

In accordance with the investment policy, the ESC manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

Fair Value Measurements

The ESC categorizes its fair value measurements within the fair value hierarchy established by GAAP. Investments classified under Level 1 are valued using quoted market prices in active markets for identical assets. Investments classified under Level 2 of the fair value hierarchy are valued using broker quotes that utilize observable market inputs.

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance 7/1/22	Additions	Disposals	Balance 6/30/23
Governmental Activities				
Nondepreciable:				
Land	$ 477,184	$ -	$ -	$ 477,184
Depreciable:				
Equipment and furniture	4,566,880	708,512	(1,256,948)	4,018,444
Vehicles	493,947	139,070	-	633,017
Buildings and improvements	2,195,013	-	(698)	2,194,315
Right-to-use leased office space	654,061	-	-	654,061
Subtotal	7,909,901	847,582	(1,257,646)	7,499,837
Totals at historical cost	8,387,085	847,582	(1,257,646)	7,977,021
Less accumulated depreciation:				
Equipment and furniture	(3,368,432)	(389,521)	925,099	(2,832,854)
Vehicles	(267,029)	(51,226)	-	(318,255)
Buildings and improvements	(914,437)	(76,393)	11	(990,819)
Right-to-use leased office space	(191,433)	(191,433)	-	(382,866)
Total accumulated depreciation	(4,741,331)	(708,573)	925,110	(4,524,794)
Capital assets, net	$ 3,645,754	$ 139,009	$ (332,536)	$ 3,452,227

The majority of the disposals was the result of the ESC increasing its capitalization threshold from $500 to $1,000 during the fiscal year. Depreciation and amortization expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 72,876
Special	267,501
Support services:	
Pupil	68,059
Administration	268,202
Operation and maintenance of plant	18,003
Central	13,932
Total	$ 708,573

4. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the ESC's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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 this estimate annually.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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 contractually-required pension contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

4. DEFINED BENEFIT PENSION PLANS *(continued)*

Plan Description - School Employees Retirement System (SERS)

Plan Description – ESC 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, annual cost-of-living adjustments, 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:

Benefits	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; or 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 year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the ESC is required to contribute 14% 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% for plan members and 14% 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, 2023, the 14% was allocated to only three funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The ESC's contractually required contribution to SERS was $2,744,462 for fiscal year 2023.

4. DEFINED BENEFIT PENSION PLANS *(continued)*

Plan Description - State Teachers Retirement System (STRS)

Plan Description – ESC 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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. The calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. For members who were eligible to retire on July 1, 2015, the annual benefit is the greater of the benefit amount calculated upon retirement under the new benefit formula or the frozen benefit amount as of July 1, 2015. Effective August 1, 2021 to July 1, 2023, any member can retire with unreduced benefits with 34 years of service credit at any age or 5 years of service credit and age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age; or 29 years of service credit and age 55; or 5 years of service credit and age 60. Effective on or after August 1, 2023, any member can retire with unreduced benefits with 35 years of service credit at any age or 5 years of service credit at age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age or 5 years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liabilities. Effective July 1, 2022, 2.91% of salaries are used to pay for unfunded liabilities. 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 CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% 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 CO Plan payment is payable to a member on or after age 60 with 5 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.

4. DEFINED BENEFIT PENSION PLANS *(continued)*

New members who choose the DC Plan or CO 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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or CO 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 10 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. For the fiscal year ended June 30, 2023, plan members were required to contribute 14% of their annual covered salary. The ESC was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The ESC's contractually required contribution to STRS was $1,623,938 for fiscal year 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources for Pensions

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ESC's proportion of the net pension liability was based on the ESC's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 25,204,297	$ 16,445,075	$ 41,649,372
Proportion of the Net Pension Liability	0.465989%	0.073977%	
Change in Proportion	0.001907%	0.006155%	
Pension Expense	$ 2,322,557	$ 2,224,157	$ 4,546,714

4. DEFINED BENEFIT PENSION PLANS *(continued)*

At June 30, 2023, the ESC reported deferred outflows and inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,020,795	$ 210,519	$ 1,231,314
Net difference between projected and actual earnings on pension plan investments	-	572,253	572,253
Change in assumptions	248,696	1,967,982	2,216,678
Change in ESC's proportionate share and difference in employer contributions	546,652	1,058,023	1,604,675
ESC contributions subsequent to the measurement date	2,744,462	1,623,938	4,368,400
Total Deferred Outflows of Resources	$ 4,560,605	$ 5,432,715	$ 9,993,320
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 879,515	$ -	$ 879,515
Differences between expected and actual experience	165,460	62,909	228,369
Change in assumptions	-	1,481,325	1,481,325
Change in ESC's proportionate share and difference in employer contributions	-	184,006	184,006
Total Deferred Inflows of Resources	$ 1,044,975	$ 1,728,240	$ 2,773,215

$4,368,400 reported as deferred outflows of resources related to pension resulting from ESC contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	$ 576,424	$ 290,442	$ 866,866
2025	(10,460)	219,235	208,775
2026	(1,256,406)	(96,938)	(1,353,344)
2027	1,461,610	1,667,798	3,129,408
	$ 771,168	$ 2,080,537	$ 2,851,705

4. DEFINED BENEFIT PENSION PLANS *(continued)*

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, 2022, are presented below:

Inflation	2.40%
Future Salary Increases, including Inflation	3.25% to 13.58%
COLA or Ad Hoc COLA	2.00%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.00% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

4. DEFINED BENEFIT PENSION PLANS *(continued)*

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighed Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	(0.45%)
U.S. Equity	24.75%	5.37%
Non-U.S. Equity Developed	13.50%	6.22%
Non-U.S. Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
	100.00%	

4. DEFINED BENEFIT PENSION PLANS *(continued)*

Discount Rate – Total pension liability was calculated using the discount rate of 7.0%. 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 (7.0%). 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 ESC'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 7.0%, 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 (6.0%), or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
ESC's proportionate share of the net pension liability	$37,099,522	$25,204,297	$15,182,732

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by service from 2.5% to 8.5%
Payroll increases	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%
Cost-of-living adjustments (COLA)	0%

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

For healthy retirees, the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

4. DEFINED BENEFIT PENSION PLANS *(continued)*

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
	100.00%	

** Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.*
*** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS Ohio's 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 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes 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's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the ESC's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the ESC's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.0%, as well as what the ESC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate:

4. DEFINED BENEFIT PENSION PLANS *(continued)*

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
ESC's proportionate share of the net pension liability	$24,842,521	$16,445,075	$9,343,435

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2023, members of the Governing Board have elected social security. The Board's liability is 6.2% of wages paid.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability to (or assets for) employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—SERS' Health Care program provides health care 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 mot 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.

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, there was no portion allocated 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 2023, the minimum compensation amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the ESC's surcharge obligation was $175,767.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Plan Description - State Teachers Retirement System (STRS)

*Plan Descriptio*n—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 Board to offer this plan.

Coverage under the current program includes hospitalization, physicians' fees and prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS health care plans include creditable prescription drug coverage. 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. Nearly all health care plan enrollees, for the most recent year, 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% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The ESC's proportion of the net OPEB liability (asset) was based on the ESC'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
Proportionate Share of the Net OPEB Liability/(Asset)	$ 6,291,483	$ (1,915,499)	$ 4,375,984
Proportion of the Net OPEB Liability/(Asset)	0.448108%	0.073977%	
Change in Proportion	0.015098%	0.006155%	
(Negative) OPEB Expense	$ (87,705)	$ (283,055)	$ (370,760)

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

At June 30, 2023, the ESC 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	$ 52,889	$ 27,768	$ 80,657
Net difference between projected and actual earnings on OPEB plan investments	32,699	33,344	66,043
Change in assumptions	1,000,741	81,593	1,082,334
Change in ESC's proportionate share and difference in employer contributions	886,874	85,395	972,269
ESC contributions subsequent to the measurement date	175,767	-	175,767
Total Deferred Outflows of Resources	$ 2,148,970	$ 228,100	$ 2,377,070
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 4,024,492	$ 287,670	$ 4,312,162
Change in assumptions	2,582,699	1,358,273	3,940,972
Difference between actual contributions and proportionate share of contributions	-	10,385	10,385
Total Deferred Inflows of Resources	$ 6,607,191	$ 1,656,328	$ 8,263,519

$175,767 reported as deferred outflows of resources related to OPEB resulting from ESC contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/(asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	$ (923,278)	$ (377,208)	$ (1,300,486)
2025	(1,031,611)	(415,609)	(1,447,220)
2026	(966,847)	(207,846)	(1,174,693)
2027	(601,976)	(86,807)	(688,783)
2028	(418,391)	(112,654)	(531,045)
2029	(691,885)	(228,104)	(919,989)
	$ (4,633,988)	$ (1,428,228)	$ (6,062,216)

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

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 consider the employee's entire career with the employer and 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, prepared as of June 30, 2022, are presented below:

Investment Rate of Return	7.00% net of investment expense, including inflation
Wage Inflation	2.40%
Future Salary Increases, including Inflation	3.25% to 13.58%
Municipal Bond Index Rate:	
Current measurement period	3.69%
Prior measurement period	1.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Current measurement period	4.08%
Prior measurement period	2.27%
Medical Trend Assumption	7.00% - 4.40%

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighed Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	(0.45%)
U.S. Equity	24.75%	5.37%
Non-U.S. Equity Developed	13.50%	6.22%
Non-U.S. Equity Emerging	6.75%	8.22%
Fixed Income/Global Bonds	19.00%	1.20%
Private Equity	11.00%	10.05%
Real Estate/Real Assets	16.00%	4.87%
Multi-Asset Strategy	4.00%	3.39%
Private Debt/Private Credit	3.00%	5.38%
	100.00%	

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Discount Rate **–** The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from 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, 2044. 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, 2043 and the Municipal Bond Index rate of 3.69% as of June 30, 2022 (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 ESC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 calculated using the discount rate of 4.08%, as well as what the ESC's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.08%) and one percentage point higher (5.08%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
ESC's proportionate share of the net OPEB liability	$7,814,117	$6,291,483	$5,062,304

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the ESC's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.40%) and one percentage point higher (8.00% decreasing to 5.40%) than the current rates.

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
ESC's proportionate share of the net OPEB liability	$4,851,863	$6,291,483	$8,171,861

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	Varies by service from 2.5% to 8.5%
Payroll increases	3.0%
Investment rate of return	7.0%, net of investment expenses, including inflation
Discount rate of return	7.0%

Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	7.50%	3.94%
Medicare	-68.78%	3.94%
Prescription Drug		
Pre-Medicare	9.00%	3.94%
Medicare	-5.47%	3.94%

Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Additionally, healthcare trends were updated to reflect emerging claims and recoveries experience.

For healthy retirees, the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

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	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
	100.00%	

** Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.*
*** 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS Ohio's 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 7.0% as of June 30, 2022. 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 of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on OPEB plan assets of 7.0% was used to measure the total OPEB liability as of June 30, 2022.

Sensitivity of the ESC's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates **–** The following table presents the ESC's proportionate share of the net OPEB asset calculated using the current period discount rate assumption of 7.0%, as well as what the ESC's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.0%) and one percentage point higher (8.0%) than the current rate. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) *(continued)*

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
ESC's proportionate share of the net OPEB (asset)	($1,770,828)	($1,915,499)	($2,039,421)

	1% Decrease	Current Trend Rate	1% Increase
ESC's proportionate share of the net OPEB (asset)	($1,986,838)	($1,915,499)	($1,825,450)

6. LONG-TERM OBLIGATIONS

The changes in the ESC's long-term obligations during fiscal year 2023 were as follows:

	Balance 7/1/22	Additions	Reductions	Balance 6/30/23	Due within One Year
Direct borrowing:					
Lease-purchase agreement	$ 1,693,000	$ -	$ (1,693,000)	$ -	$ -
Lease liability	473,620	-	(189,533)	284,087	198,880
Compensated absences	1,076,561	249,347	(161,773)	1,164,135	245,196
Total	$ 3,243,181	$ 249,347	$ (2,044,306)	$ 1,448,222	$ 444,076

In October, 2009, the ESC entered into a direct borrowing lease-purchase agreement in the amount of $2,937,000 for the purchase of a building and improvements through U.S. Bank. The final payment was made during fiscal year 2023. Principal and interest payments were made from the General Fund. The land, building, improvements, and equipment acquired by this lease-purchase agreement were $2,900,000.

The ESC leases 19,800 square feet of office space in the Liberty Office Park to house the Union Day Therapeutic School. The lease agreement is for a ten-year term that began on January 1, 2015 and expires on December 1, 2024. Upon expiration and satisfaction of other lease requirements, the ESC has an option to renew for an additional five-year term. The base rent started at $7 per square foot in year one and incrementally increases annually until $10.40 per square foot in year ten.

Compensated absences will be paid from the funds from which the employees’ salaries are paid.

6. LONG-TERM OBLIGATIONS *(continued)*

The following is a schedule of future minimum payments required under the lease liability as of June 30, 2023:

Fiscal Year	Lease Liability	
Ending June 30,	Principal	Interest
2024	$ 198,880	5,390
2025	85,207	593
Total	$ 284,087	5,983

7. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2023 consisted of the following:

	Interfund	
	Receivable	Payable
General Fund	$ 1,372,000	$ -
Federal Head Start Fund	-	78,000
Miscellaneous Special Revenue Fund	-	906,000
Other Governmental Funds	-	388,000
Total	$ 1,372,000	$ 1,372,000

The interfund loans were made to provide operating capital for grant programs that operate on a reimbursement-basis.

8. FUND BALANCES

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

Fund Balances	General	Federal Head Start	Miscellaneous Special Revenue	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	$ 30,819	$ 8,055	$ 2,634	$ 3,204	$ 44,712
Restricted for					
Scholarships	-	-	-	21,374	21,374
Data Communications	-	-	-	13,681	13,681
Federal Head Start	-	60,861	-	-	60,861
Various Grants and Programs	-	-	119,971	213,111	333,082
Total Restricted	-	60,861	119,971	248,166	428,998
Assigned to					
Public School Support	66,448	-	-	-	66,448
Severances	20,000	-	-	-	20,000
Other	234,807	-	-	-	234,807
Total Assigned	321,255	-	-	-	321,255
Unassigned (Deficit)	13,763,887	-	-	(184,583)	13,579,304
Total Fund Balance	$ 14,115,961	$ 68,916	$ 122,605	$ 66,787	$ 14,374,269

At June 30, 2023, the ESC had a deficit balance in the following funds:

Early Childhood Education Grant Fund	$ 10,533
Aspire Grant Fund	40,271
Elementary and Secondary School Emergency Relief Fund	26,817
Governor's Emergency Education Relief Fund	80,000
Title III Language Instruction for English Learners Fund	26,962

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

9. JOINTLY GOVERNED ORGANIZATION

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three-county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member districts. The degree of control exercised by any participating district is limited to its representation on the Board. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

10. INSURANCE PURCHASING POOL

Butler Health Plan

The ESC participates in the Butler Health Plan (BHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BHP at PO Box 526, Middletown, Ohio 45042.

11. RISK MANAGEMENT

The ESC maintains comprehensive insurance with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

12. CONTINGENCIES

Federal and State Funding

The ESC 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the ESC at June 30, 2023.

Litigation

As of the balance sheet date, the ESC was not party to legal proceedings.

Required Supplementary Information

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Required Supplementary Information
Schedules of ESC's Proportionate Share of the Net Pension Liability
and ESC Pension Contributions
School Employees Retirement System of Ohio

Measurement Date Fiscal Year (1)	ESC's Proportion of the Net Pension Liability	ESC's Proportionate Share of the Net Pension Liability	ESC's Covered Payroll	ESC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.289958%	$ 17,242,872	$ 8,123,931	212.25%	65.52%
2015	0.289958%	14,674,609	8,510,707	172.43%	71.70%
2016	0.331773%	18,931,306	9,025,015	209.76%	69.16%
2017	0.330768%	24,209,142	9,285,021	260.73%	62.98%
2018	0.359859%	21,500,774	10,855,943	198.06%	69.50%
2019	0.409893%	23,475,309	14,391,741	163.12%	71.36%
2020	0.416600%	24,925,929	13,829,719	180.23%	70.85%
2021	0.437283%	28,919,863	15,706,114	184.13%	68.55%
2022	0.464082%	17,123,297	16,565,850	103.37%	82.86%
2023	0.465989%	25,204,297	18,272,043	137.94%	75.82%

(1) Amounts presented for each year were determined as of the ESC's measurement date, which is the prior fiscal year-end.

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	ESC's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,179,584	$ (1,179,584)	$ -	$ 8,510,707	13.86%
2015	1,189,497	(1,189,497)	-	9,025,015	13.18%
2016	1,299,903	(1,299,903)	-	9,285,021	14.00%
2017	1,519,832	(1,519,832)	-	10,855,943	14.00%
2018	1,942,885	(1,942,885)	-	14,391,741	13.50%
2019	1,867,012	(1,867,012)	-	13,829,719	13.50%
2020	2,198,856	(2,198,856)	-	15,706,114	14.00%
2021	2,319,219	(2,319,219)	-	16,565,850	14.00%
2022	2,558,086	(2,558,086)	-	18,272,043	14.00%
2023	2,744,462	(2,744,462)	-	19,603,300	14.00%

See Notes to Required Supplementary Information.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Required Supplementary Information
Schedules of ESC's Proportionate Share of the Net Pension Liability
and ESC Pension Contributions
State Teachers Retirement System of Ohio

Measurement Date Fiscal Year (1)	ESC's Proportion of the Net Pension Liability	ESC's Proportionate Share of the Net Pension Liability	ESC's Covered Payroll	ESC's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.056516%	$ 16,375,008	$ 5,581,162	293.40%	69.3%
2015	0.056516%	13,746,725	6,218,592	221.06%	74.7%
2016	0.061307%	16,943,404	6,816,764	248.55%	72.1%
2017	0.062300%	20,853,795	7,047,629	295.90%	66.8%
2018	0.068202%	16,201,496	8,032,100	201.71%	75.3%
2019	0.071595%	15,742,207	8,787,557	179.14%	77.3%
2020	0.070480%	15,586,147	8,873,621	175.65%	77.4%
2021	0.068080%	16,473,056	8,905,643	184.97%	75.5%
2022	0.067822%	8,671,631	9,703,286	89.37%	87.8%
2023	0.073977%	16,445,075	10,181,271	161.52%	78.9%

(1) Amounts presented for each year were determined as of the ESC's measurement date, which is the prior fiscal year-end.

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	ESC's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 808,417	$ (808,417)	$ -	$ 6,218,592	13.00%
2015	954,347	(954,347)	-	6,816,764	14.00%
2016	986,668	(986,668)	-	7,047,629	14.00%
2017	1,124,494	(1,124,494)	-	8,032,100	14.00%
2018	1,230,258	(1,230,258)	-	8,787,557	14.00%
2019	1,242,307	(1,242,307)	-	8,873,621	14.00%
2020	1,246,790	(1,246,790)	-	8,905,643	14.00%
2021	1,358,460	(1,358,460)	-	9,703,286	14.00%
2022	1,425,378	(1,425,378)	-	10,181,271	14.00%
2023	1,623,938	(1,623,938)	-	11,599,557	14.00%

See Notes to Required Supplementary Information.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Required Supplementary Information
Schedules of ESC's Proportionate Share of the Net OPEB Liability
and ESC OPEB Contributions
School Employees Retirement System of Ohio

Measurement Date Fiscal Year (1)(2)	ESC's Proportion of the Net OPEB Liability	ESC's Proportionate Share of the Net OPEB Liability	ESC's Covered Payroll	ESC's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.323637%	$ 9,224,851	$ 9,285,021	99.35%	11.49%
2018	0.350075%	9,395,086	10,855,943	86.54%	12.46%
2019	0.395779%	10,979,989	14,391,741	76.29%	13.57%
2020	0.399328%	10,042,249	13,829,719	72.61%	15.57%
2021	0.413154%	8,979,179	15,706,114	57.17%	18.17%
2022	0.433010%	8,195,063	16,565,850	49.47%	24.08%
2023	0.448108%	6,291,483	18,272,043	34.43%	30.34%

(1) Information prior to 2017 is not available. The ESC will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the ESC's measurement date, which is the prior fiscal year-end.

Fiscal Year (3)	Contractually Required Contributions (4)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	ESC's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 120,959	$ (120,959)	$ -	$ 10,855,943	1.11%
2018	196,700	(196,700)	-	14,391,741	1.37%
2019	183,511	(183,511)	-	13,829,719	1.33%
2020	70,379	(70,379)	-	15,706,114	0.45%
2021	63,876	(63,876)	-	16,565,850	0.39%
2022	147,538	(147,538)	-	18,272,043	0.81%
2023	175,767	(175,767)	-	19,603,300	0.90%

(3) The ESC elected not to present information prior to 2017. The ESC will continue to present information for years available unitl a full ten-year trend is compiled.

(4) Includes Surcharge.

See Notes to Required Supplementary Information.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Required Supplementary Information
Schedules of ESC's Proportionate Share of the Net OPEB Liability/(Asset)
and ESC OPEB Contributions
State Teachers Retirement System of Ohio

Measurement Date Fiscal Year (1)(2)	ESC's Proportion of the Net OPEB Liability/(Asset)	ESC's Proportionate Share of the Net OPEB Liability/(Asset)	ESC's Covered Payroll	ESC's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.062300%	$ 3,331,837	$ 7,047,629	47.28%	37.3%
2018	0.068202%	2,660,984	8,032,100	33.13%	47.1%
2019	0.071593%	(1,150,464)	8,787,557	(13.09%)	176.0%
2020	0.070480%	(1,167,312)	8,873,621	(13.15%)	174.7%
2021	0.068080%	(1,196,513)	8,905,643	(13.44%)	182.1%
2022	0.067822%	(1,429,969)	9,703,286	(14.74%)	174.7%
2023	0.073977%	(1,915,499)	10,181,271	(18.81%)	230.7%

(1) Information prior to 2017 is not available. The ESC will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the ESC's measurement date, which is the prior fiscal year-end.

Fiscal Year (3)	Contractually Required Contributions (4)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	ESC's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ -	$ -	$ -	$ 8,032,100	0.00%
2018	-	-	-	8,787,557	0.00%
2019	-	-	-	8,873,621	0.00%
2020	-	-	-	8,905,643	0.00%
2021	-	-	-	9,703,286	0.00%
2022	-	-	-	10,181,271	0.00%
2023	-	-	-	11,599,557	0.00%

(3) The ESC elected not to present information prior to 2017. The ESC will continue to present information for years available unitl a full ten-year trend is compiled.

(4) STRS allocated the entire 14% employer contribution rate toward pension benefits.

See Notes to Required Supplementary Information.

Notes to Pension Information

Changes of Benefit Terms

For measurement period 2017, the COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.50% with a floor of 0.0% beginning January 1, 2018. In addition, with the authority granted to the Board under Ohio House Bill 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

For measurement period 2018, with the authority granted to the Board under Ohio Senate Bill 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

Changes of Assumptions

For measurement period 2016, the assumed rate of inflation was reduced from 3.25% to 3.00%, the payroll growth assumption was reduced from 4.00% to 3.50%, the assumed real wage growth was reduced from 0.75% to 0.50%, the rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For measurement period 2020, the assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

Notes to OPEB Information

Changes of Benefit Terms

None noted.

Changes of Assumptions

For measurement period 2016, the assumed rate of inflation was reduced from 3.25% to 3.00%, the payroll growth assumption was reduced from 4.00% to 3.50%, the assumed real wage growth was reduced from 0.75% to 0.50%, the rates of withdrawal, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For measurement period 2020, the assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

For measurement period 2022, the discount rate was increased from 2.27% to 4.08% and the health care trend rates were updated.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Required Supplementary Information
Notes to Required Supplementary Information
State Teachers Retirement System of Ohio

Notes to Pension Information

Changes of Benefit Terms

For measurement period 2017, the COLA was reduced to zero.

Changes of Assumptions

For the measurement period 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The health and disabled mortality assumptions were updated 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.

For measurement period 2021, the discount rate was adjusted to 7.00% from 7.45%.

For measurement period 2022, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

Notes to OPEB Information

Changes of Benefit Terms

For the measurement period 2017, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

For the measurement period 2018, the subsidy multipler for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year fo service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For the measurement period 2019, there was no change to the claims cost process. Claims 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 measurement year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2021 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% 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% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For measurement year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.10%. 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 CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For measurement year 2022, salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age-based to service-based.

Notes to OPEB Information (continued)

Changes of Assumptions

For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* **,** and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trends were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capita health care costs were updated.

For measurement year 2021, the discount rate was adjusted to 7.00% from 7.45%.

For measurement year 2022, healthcare trends were updated to reflect emerging claims and recoveries experience.

Supplementary Information

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Contractual services	$ 30,725,148	$ 31,163,382	$ 31,163,382	$ -
Tuition and fees	347,529	348,836	348,836	-
Earnings on investments	316,388	365,536	365,536	-
Intergovernmental	1,395,281	1,521,873	1,521,873	-
Other local revenues	2,587,637	2,900,339	2,900,339	-
Total revenues	35,371,983	36,299,966	36,299,966	-
Expenditures:				
Current:				
Instruction:				
Regular	8,443,938	8,472,526	8,472,526	-
Special education	5,236,671	5,531,718	5,531,718	-
Support services:				
Pupil	9,012,800	9,588,157	9,588,157	-
Instructional staff	682,895	568,642	568,642	-
Governing Board	174,309	27,654	27,654	-
Administration	2,855,621	2,572,282	2,572,282	-
Fiscal	602,787	579,113	579,113	-
Operation and maintenance of plant	1,311,757	1,220,424	1,220,424	-
Pupil transportation	146,763	170,065	170,065	-
Central	2,428,795	2,355,086	2,355,086	-
Non-instructional services	1,767,725	1,719,742	1,719,742	-
Debt Service	1,750,889	1,750,889	1,750,889	-
Total expenditures	34,414,950	34,556,298	34,556,298	-
Excess revenues over expenditures	957,033	1,743,668	1,743,668	-
Other financing sources (uses):				
Advances in	1,998,800	2,284,800	2,284,800	-
Advances out	-	(2,567,500)	(2,567,500)	-
Total other financing sources (uses):	1,998,800	(282,700)	(282,700)	-
Change in fund balance	2,955,833	1,460,968	1,460,968	$ -
Fund balance, beginning of year, *restated*	11,582,458	11,582,458	11,582,458	
Prior year encumbrances appropriated	187,536	187,536	187,536	
Fund balance, end of year	$ 14,725,827	$ 13,230,962	$ 13,230,962	

See accompanying notes to supplementary information.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Federal Head Start Fund
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	$ 17,643,909	$ 12,069,477	$ 12,069,477	$ -
Expenditures:				
Current:				
Instruction:				
Special education	10,903,796	2,432,236	2,432,236	-
Support services:				
Pupil	2,817,708	4,403,216	4,403,216	-
Instructional staff	299,690	556,060	556,060	-
Administration	1,338,265	1,411,034	1,411,034	-
Fiscal	133,945	159,089	159,089	-
Operation and maintenance of plant	1,001,801	1,060,106	1,060,106	-
Central	25,613	36,354	36,354	-
Non-instructional services	1,260,993	2,119,729	2,119,729	-
Total expenditures	17,781,811	12,177,824	12,177,824	-
Excess expenditures over revenues	(137,902)	(108,347)	(108,347)	-
Other financing sources (uses):				
Advances in	-	78,000	78,000	-
Advances out	-	(99,000)	(99,000)	-
Total other financing sources (uses):	-	(21,000)	(21,000)	-
Change in fund balance	(137,902)	(129,347)	(129,347)	$ -
Fund balance, beginning of year	141,681	141,681	141,681	
Prior year encumbrances appropriated	138,537	138,537	138,537	
Fund balance, end of year	$ 142,316	$ 150,871	$ 150,871	

See accompanying notes to supplementary information.

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Miscellaneous Special Revenue Fund
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	$ 2,520,794	$ 2,504,433	$ 2,504,433	$ -
Other local revenues	3,202,442	3,323,420	3,323,420	-
Total revenues	5,723,236	5,827,853	5,827,853	-
Expenditures:				
Current:				
Instruction:				
Regular	46,522	78,097	78,097	-
Special education	79,015	139,917	148,084	(8,167)
Support services:				
Pupil	6,384,672	5,374,335	5,368,018	6,317
Administration	98,541	77,869	76,055	1,814
Operation and maintenance of plant	36	36	-	36
Central	223,943	274,630	274,630	-
Non-instructional services	104,113	50,046	50,046	-
Total expenditures	6,936,842	5,994,930	5,994,930	-
Excess expenditures over revenues	(1,213,606)	(167,077)	(167,077)	-
Other financing sources (uses):				
Transfers in	-	224,127	224,127	-
Advances in	-	906,000	906,000	-
Transfers out	-	(224,127)	(224,127)	-
Advances out	(573,700)	(648,400)	(648,400)	-
Total other financing sources (uses):	(573,700)	257,600	257,600	-
Change in fund balance	(1,787,306)	90,523	90,523	$ -
Fund balance, beginning of year	869,902	869,902	869,902	
Prior year encumbrances appropriated	201,041	201,041	201,041	
Fund balance, end of year	$ (716,363)	$ 1,161,466	$ 1,161,466	

See accompanying notes to supplementary information.

Note A **<u>Budgetary Basis of Accounting</u>**

The ESC is no longer required under State statue to file budgetary information with the State Department of Education. However, the ESC's Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control. Appropriation amounts are as originally adopted, or as amended by the ESC through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the ESC during the current fiscal year. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

While the ESC is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted or assigned fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	General	Federal Head Start	Miscellaneous Special Revenue
Net change in fund balance - GAAP Basis	$ 1,477,721	$ (1,181,401)	$ (539,139)
Increase / (decrease):			
Due to inclusion of Public School Support Fund	(1,527)	-	-
Due to revenues	215,258	855,741	447,918
Due to expenditures	383,286	294,747	230,575
Due to other sources (uses)	(282,700)	(21,000)	257,600
Due to encumbrances	(331,070)	(77,434)	(306,431)
Net change in fund balance - Budget Basis	$ 1,460,968	$ (129,347)	$ 90,523

BUTLER COUNTY EDUCATIONAL SERVICE CENTER
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Program Title	Federal AL Number	Federal Expenditures
U.S. Department of Agriculture:		
(Passed through Ohio Department of Education)		
Child Care and Adult Care Food Program	10.558	$ 701,712
Total U.S. Department of Agriculture		701,712
U.S. Department of Health and Human Services:		
(Passed through Ohio Department of Mental Health and Addiction Services)		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	52,516
Child Abuse and Neglect State Grants	93.669	83,643
Money Follows the Person Rebalancing Demonstration	93.791	1,219
(Passed through Ohio Children's Trust Fund)		
Community-Based Child Abuse Prevention Grants	93.590	157,733
(Passed through Ohio Department of Health)		
Maternal, Infant and Early Childhood Home Visiting	93.870	271,454
COVID-19 - Head Start - CARES Act	93.600	15,278
COVID-19 - Head Start - American Rescue Plan	93.600	652,539
Head Start	93.600	10,507,485
Head Start cluster		11,175,302
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	284,899
Total U.S. Department of Health and Human Services		12,026,766
U.S. Department of Education:		
(Passed through Ohio Department of Developmental Disabilities)		
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	951,668
(Passed through Ohio Department of Education)		
English Language Acquisition State Grants	84.365	140,595
COVID-19 Governors Emergency Education Relief Fund	84.425C	480,388
COVID-19 Governors Emergency Education Relief Fund	84.425U	197,948
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	14,500
Education Stabilization Fund - American Rescue Plan	84.425	253,068
Total Elementary and Secondary School Emergency Relief Fund		945,904
Title I Grants to Local Educational Agencies (Title I Delinquent)	84.010	36,604
(Passed through Ohio Department of Education)		
Supporting Effective Instruction State Grants	84.002A	412,153
Total U.S. Department of Education		2,486,924
Total Federal Awards		$ 15,215,402

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Butler County Educational Service Center (the “Center”) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require the Center contribute non-federal funds (matching funds) to support the federally-funded programs. The Center has complied with the matching requirements. The expenditures of non-federal matching funds is not included on the schedule.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

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 AUDITORS' REPORT

To the Governing Board
Butler County Educational Service Center:

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 the Butler County Educational Service Center ("Service Center") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Service Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 15, 2023

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS
One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Governing Board
Butler County Educational Service Center:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Butler County Educational Service Center's ("Service Center") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Service Center's major federal programs for the year ended June 30, 2023. The Service Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Service Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Service Center and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Service Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Service Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Report on Internal Control Over Compliance

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

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

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 15, 2023

Butler County Educational Service Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified not considered to be material weaknesses?	none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of major programs:

ALN 84.181 – Special Education – Grants for Infants and Families
ALN 84.425 – Elementary and Secondary School and Emergency Relief
ALN 93.600 – Head Start

Dollar threshold to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings
None

Section III – Federal Award Findings and Questioned Costs
None

Section IV – Schedule of Prior Year Findings
None

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OHIO AUDITOR OF STATE
KEITH FABER

BUTLER COUNTY EDUCATIONAL SERVICE CENTER

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 2/13/2024

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