

SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY  
SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Millhuff-Stang, CPA, Inc.  
8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548  
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978  
Fax: 888.876.8549  
[natalie@millhuffstangcpa.com](mailto:natalie@millhuffstangcpa.com) / [roush@millhuffstangcpa.com](mailto:roush@millhuffstangcpa.com)  
[www.millhuffstangcpa.com](http://www.millhuffstangcpa.com)





65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

Board Members  
South Central Ohio Educational Service Center  
522 Glenwood Avenue  
New Boston, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the South Central Ohio Educational Service Center, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2023 through June 30, 2024. 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 South Central Ohio Educational Service Center is responsible for compliance with these laws and regulations.

KEITH FABER  
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

**June 23, 2025**

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**South Central Ohio Educational Service Center**  
**Scioto County**  
*Table of Contents*  
*For the Fiscal Year Ended June 30, 2024*

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Title	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position – Fiduciary Fund .....	17
Statement of Changes in Net Position – Fiduciary Fund .....	18
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years .....	51
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability – Last Seven Fiscal Years.....	52
Schedule of Educational Service Center Contributions – Last Ten Fiscal Years.....	53
Notes to the Required Supplementary Information .....	55
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – (Budget Basis) – General Fund .....	60
Notes to the Supplementary Information .....	61

Schedule of Federal Awards Expenditures.....	63
Notes to the Schedule of Federal Awards Expenditures .....	64
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	65
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	67
Schedule of Findings and Questioned Costs .....	70

## **Independent Auditor's Report**

Members of the Board  
South Central Ohio Educational Service Center  
522 Glenwood Avenue  
New Boston, Ohio 45662

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of South Central Ohio Educational Service Center, Scioto County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of South Central Ohio Educational Service Center, Scioto County, Ohio, as of June 30, 2024, and the respective changes in financial position 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 (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Educational Service Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Educational Service Center's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Service Center's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Educational Service Center's proportionate share of the net pension/OPEB liability/asset, and the schedules of Educational Service Center contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

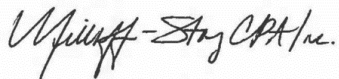


***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Service Center's basic financial statements. The budgetary schedule and the schedule of federal awards expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary schedule and the schedule of federal awards expenditures is 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 March 28, 2025 on our consideration of the Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Educational Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

March 28, 2025

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**South Central Ohio Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2024*  
*(Unaudited)*

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The discussion and analysis of the South Central Ohio Educational Service Center's (the Educational Service Center) financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

- The Educational Service Center's Net Position decreased \$1,992,261.
- The Educational Service Center saw an increase in staff due to additional services provided during the fiscal year.

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

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

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

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

One of the most important questions asked about the Educational Service Center is "How did we do financially during fiscal year 2024?" The Statement of Net Position and the Statement of Activities, which appear first in the Educational Service Center's financial statements, report information on the Educational Service Center as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

#### *Fund Financial Statements*

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

**South Central Ohio Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2024*  
*(Unaudited)*

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

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

**The Educational Service Center as a Whole**

Recall that the Statement of Net Position provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position as of June 30, 2024 and 2023:

Table 1  
Net Position  
Governmental Activities

	2024	2023	Increase (Decrease)
Assets:			
Current and Other Assets	\$5,927,365	\$5,910,486	\$16,879
Capital Assets, Net	3,161,542	3,086,666	74,876
Total Assets	9,088,907	8,997,152	91,755
Deferred Outflows of Resources	10,297,395	8,929,957	1,367,438
Liabilities:			
Current and Other Liabilities	3,425,203	2,582,205	842,998
Long-Term Liabilities	28,283,740	25,025,197	3,258,543
Total Liabilities	31,708,943	27,607,402	4,101,541
Deferred Inflows of Resources	4,350,062	5,000,149	(650,087)
Net Position:			
Net Investment in Capital Assets	2,880,245	2,576,409	303,836
Restricted	459,713	89,770	369,943
Unrestricted (Deficit)	(20,012,661)	(17,346,621)	(2,666,040)
Total Net Position	(\$16,672,703)	(\$14,680,442)	(\$1,992,261)

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2024. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Educational

**South Central Ohio Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2024*  
*(Unaudited)*

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Service Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets increased \$91,755. The increase is mainly due to the increase in accounts receivable and intergovernmental receivables, partially offset to a decrease in the net OPEB asset. Total liabilities increased \$4,101,541 mainly due to an increase in accounts payable and in net pension and OPEB liabilities resulting from changes in actuarially determined amounts. Deferred outflows of resources increased and deferred inflows of resources decreased mainly due to changes in actuarially determined amounts.

Unrestricted net position for governmental activities decreased \$2,666,040, mainly from an increase in net pension and OPEB liabilities and changes in corresponding deferrals.

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

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

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2024 and 2023.

**South Central Ohio Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year June 30, 2024  
(Unaudited)

Table 2 shows the changes in net position for fiscal years 2024 and 2023.

Table 2  
Change in Net Position  
Governmental Activities

	2024	2023	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	\$23,221,090	\$21,462,631	\$1,758,459
Operating Grants and Contributions	2,864,149	1,614,413	1,249,736
Total Program Revenues	26,085,239	23,077,044	3,008,195
General Revenues:			
Grants and Entitlements Not Restricted to Specific Programs	455,532	988,056	(532,524)
Gifts and Donations Not Restricted to Specific Programs	17,406	23,929	(6,523)
Investment Earnings	149,386	11,225	138,161
Insurance Recoveries	26,797	0	26,797
Miscellaneous	2,706	768	1,938
Total General Revenues	651,827	1,023,978	(372,151)
Total Revenues	26,737,066	24,101,022	2,636,044
Program Expenses:			
Instruction:			
Regular	2,587,780	3,192,874	(605,094)
Special	12,858,743	11,372,536	1,486,207
Adult/Continuing	350,405	280,266	70,139
Support Services:			
Pupils	6,341,395	5,269,351	1,072,044
Instructional Staff	2,878,506	1,480,221	1,398,285
Board of Education	53,028	51,827	1,201
Administration	1,084,297	1,097,298	(13,001)
Fiscal	521,002	468,502	52,500
Operation and Maintenance of Plant	694,571	700,573	(6,002)
Pupil Transportation	29,882	0	29,882
Central	1,301,204	1,159,307	141,897
Operation of Non-Instructional Services	4,899	75	4,824
Debt Service:			
Interest	23,615	34,042	(10,427)
Total Expenses	28,729,327	25,106,872	3,622,455
Change in Net Position	(1,992,261)	(1,005,850)	(986,411)
Net Position at Beginning of Year	(14,680,442)	(13,674,592)	(1,005,850)
Net Position at End of Year	(\$16,672,703)	(\$14,680,442)	(\$1,992,261)

**South Central Ohio Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2024*  
*(Unaudited)*

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**Governmental Activities**

Total program revenues increased \$3,008,195 from the prior fiscal year. This increase was a result of the Educational Service Center receiving more in charges for tuition and fees and customer sales and services compared to the prior fiscal year as they continue to provide more services to their clients, in addition to additional grants reported for administrative agent purposes.

General revenues represent \$651,827 of the Educational Service Center's total revenues, and of this amount, \$455,532 consists of grants and entitlements not restricted to specific programs.

The major program expense for governmental activities is instruction, which accounts for \$15,796,928 of all governmental expenses totaling \$28,729,327. Overall, expenses increased \$3,622,455 primarily due to an increase in staff as well as an increase in pension and OPEB expenses, in addition to additional grants expenses reported for administrative agent purposes.

**The Educational Service Center's Funds**

The Educational Service Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26,681,137 and expenditures of \$27,251,211.

There was an ending fund balance of \$1,052,601 in the General Fund which was a decrease from the previous year due to an increase in costs for services offered, which was only partially offset by the increase in revenues received by the Educational Service Center to provide those services.

**Capital Assets**

At the end of fiscal year 2024, the Educational Service Center had \$3,161,542 invested in capital assets (net of accumulated depreciation), an increase of \$74,876. The increase is due to current year capital asset additions net of depreciation. For further information regarding the Educational Service Center's capital assets, refer to Note 7 to the basic financial statements.

**Debt Administration**

At June 30, 2024, the Educational Service Center had \$279,167 in total outstanding debt consisting of a loan payable on a Childhood Development Business Center, an exterior elevator and stairs to the Educational Service Center. For more information on debt administration, refer to Note 12 of the notes to the basic financial statements.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional information, contact Ashley Roberts, Treasurer, South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

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**South Central Ohio Educational Service Center**  
*Statement of Net Position*  
*As of June 30, 2024*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,752,353
Accrued Interest Receivable	811
Accounts Receivable	288,020
Intergovernmental Receivable	404,147
Prepaid Items	17,759
Net OPEB Asset	1,464,275
Nondepreciable Capital Assets	191,590
Depreciable Capital Assets, net	2,969,952
<i>Total Assets</i>	9,088,907
<b>Deferred Outflows of Resources:</b>	
Pension	7,869,608
OPEB	2,427,787
<i>Total Deferred Outflows of Resources</i>	10,297,395
<b>Liabilities:</b>	
Accounts Payable	646,720
Accrued Wages and Benefits Payables	2,352,959
Contracts Payable	2,130
Intergovernmental Payable	420,726
Matured Compensated Absences Payable	2,668
Long-Term Liabilities:	
Due Within One Year	256,784
Due in More Than One Year	1,562,075
Net Pension Liability	24,070,382
Net OPEB Liability	2,394,499
<i>Total Liabilities</i>	31,708,943
<b>Deferred Inflows of Resources:</b>	
Pension	1,200,079
OPEB	3,149,983
<i>Total Deferred Inflows of Resources</i>	4,350,062
<b>Net Position:</b>	
Net Investment in Capital Assets	2,880,245
Restricted for Net OPEB Asset	459,713
Unrestricted (Deficit)	(20,012,661)
<i>Total Net Position</i>	(\$16,672,703)

The notes to the basic financial statements are an integral part of this statement

**South Central Ohio Educational Service Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2024

		Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$2,587,780	\$2,750,995	\$69,426	\$232,641
Special	12,858,743	12,394,178	113,700	(350,865)
Adult/Continuing	350,405	0	327,910	(22,495)
Support Services:				
Pupils	6,341,395	6,716,092	0	374,697
Instructional Staff	2,878,506	0	2,083,652	(794,854)
Board of Education	53,028	0	0	(53,028)
Administration	1,084,297	0	188,526	(895,771)
Fiscal	521,002	0	0	(521,002)
Operation and Maintenance of Plant	694,571	0	45,750	(648,821)
Pupil Transportation	29,882	0	28,333	(1,549)
Central	1,301,204	1,359,825	1,998	60,619
Operation of Non-Instructional Services	4,899	0	4,854	(45)
Debt Service:				
Interest	23,615	0	0	(23,615)
<i>Total Governmental Activities</i>	<u>\$28,729,327</u>	<u>\$23,221,090</u>	<u>\$2,864,149</u>	(2,644,088)
<b>General Revenues:</b>				
Grants and Entitlements not				
Restricted for Specific Programs				455,532
Unrestricted Gifts and Donations				17,406
Investment Earnings				149,386
Insurance Recoveries				26,797
Miscellaneous				<u>2,706</u>
<i>Total General Revenues</i>				<u>651,827</u>
<i>Change in Net Position</i>				(1,992,261)
<i>Net Position Beginning of Year</i>				<u>(14,680,442)</u>
<i>Net Position End of Year</i>				<u><u>(\$16,672,703)</u></u>

The notes to the basic financial statements are an integral part of this statement

**South Central Ohio Educational Service Center**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2024*

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,738,462	\$13,891	\$3,752,353
Accrued Interest Receivable	811	0	811
Accounts Receivable	288,020	0	288,020
Interfund Receivable	87,939	0	87,939
Intergovernmental Receivable	0	404,147	404,147
Prepaid Items	17,465	294	17,759
<i>Total Assets</i>	<u>\$4,132,697</u>	<u>\$418,332</u>	<u>\$4,551,029</u>
<b>Liabilities:</b>			
Accounts Payable	\$375,755	\$270,965	\$646,720
Accrued Wages and Benefits Payable	2,292,794	60,165	2,352,959
Contracts Payable	2,130	0	2,130
Interfund Payable	0	87,939	87,939
Intergovernmental Payable	406,749	13,977	420,726
Matured Compensated Absences Payable	2,668	0	2,668
<i>Total Liabilities</i>	3,080,096	433,046	3,513,142
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	0	72,014	72,014
<i>Deferred Inflows of Resources</i>	0	72,014	72,014
<b>Fund Balances:</b>			
Nonspendable	17,465	294	17,759
Assigned	198,586	0	198,586
Unassigned (Deficit)	836,550	(87,022)	749,528
<i>Total Fund Balances</i>	<u>1,052,601</u>	<u>(86,728)</u>	<u>965,873</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$4,132,697</u>	<u>\$418,332</u>	<u>\$4,551,029</u>

The notes to the basic financial statements are an integral part of this statement.

**South Central Ohio Educational Service Center**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*As of June 30, 2024*

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<b>Total Governmental Fund Balances</b>	<b>\$965,873</b>
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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.	3,161,542
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Intergovernmental	72,014	
Total	72,014	72,014

The net pension and OPEB liabilities (assets) are not due and payable (receivable) in the current period. Therefore, the liabilities (assets) and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	7,869,608	
Deferred Outflows-OPEB	2,427,787	
Deferred Inflows-Pension	(1,200,079)	
Deferred Inflows-OPEB	(3,149,983)	
Net Pension Liability	(24,070,382)	
Net OPEB Asset	1,464,275	
Net OPEB Liability	(2,394,499)	
Total		(19,053,273)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Loans Payable	(279,167)	
Compensated Absences	(1,539,692)	
Total		(1,818,859)

<b>Net Position of Governmental Activities</b>	<b>(\$16,672,703)</b>
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The notes to the basic financial statements are an integral part of this statement

**South Central Ohio Educational Service Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2024*

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Intergovernmental	\$532,089	\$2,734,369	\$3,266,458
Interest	130,803	0	130,803
Change in Fair Value of Investments	18,583	0	18,583
Tuition and Fees	19,817,724	0	19,817,724
Gifts and Donations	17,406	0	17,406
Customer Sales and Services	3,403,366	0	3,403,366
<i>Total Revenues</i>	23,919,971	2,734,369	26,654,340
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,376,731	69,426	2,446,157
Special	11,990,360	37,143	12,027,503
Adult/Continuing	7,454	325,028	332,482
Support Services:			
Pupils	5,926,329	0	5,926,329
Instructional Staff	622,288	2,111,280	2,733,568
Board of Education	51,984	0	51,984
Administration	860,924	191,415	1,052,339
Fiscal	478,023	0	478,023
Operation and Maintenance of Plant	640,121	45,750	685,871
Pupil Transportation	0	28,333	28,333
Central	1,156,952	72,604	1,229,556
Operation of Non-Instructional Services	0	4,854	4,854
Capital Outlay	114,108	6,489	120,597
Debt Service:			
Principal	110,000	0	110,000
Interest	23,615	0	23,615
<i>Total Expenditures</i>	24,358,889	2,892,322	27,251,211
<i>Excess of Revenues Under Expenditures</i>	(438,918)	(157,953)	(596,871)
<b>Other Financing Sources:</b>			
Insurance Recoveries	26,797	0	26,797
<i>Total Other Financing Sources</i>	26,797	0	26,797
<i>Net Change in Fund Balances</i>	(412,121)	(157,953)	(570,074)
<i>Fund Balances at Beginning of Year</i>	1,464,722	71,225	1,535,947
<i>Fund Balances (Deficit) at End of Year</i>	\$1,052,601	(\$86,728)	\$965,873

The notes to the basic financial statements are an integral part of this statement.

**South Central Ohio Educational Service Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2024*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$570,074)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions and depreciation in the current period.

Capital Asset Additions	120,597	
Current Year Depreciation	(45,721)	
Total		74,876

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	53,224	
Total		53,224

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.

Pension	2,371,229	
OPEB	95,158	
Total		2,466,387

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (assets) are reported as pension/OPEB expense (gain) in the statement of activities.

Pension	(3,955,614)	
OPEB	(26,431)	
Total		(3,982,045)

Repayments of long-term debt are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position. In the current fiscal year, these amounts consist

Loan Payments	110,000	
Total		110,000

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

Increase in Compensated Absences	(144,629)	
Total		(144,629)

<b>Net Change in Net Position of Governmental Activities</b>	<b><u>(\$1,992,261)</u></b>
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The notes to the basic financial statements are an integral part of this statement

**South Central Ohio Educational Service Center**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*As of June 30, 2024*

	<u>Custodial Funds</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$282,850</u>
<i>Total Assets</i>	282,850
<b>Liabilities:</b>	
Accounts Payable	<u>4,027</u>
<i>Total Liabilities</i>	4,027
<b>Net Position:</b>	
Restricted for Individuals, Organizations and Other Governments	<u>278,823</u>
<i>Total Net Position</i>	<u><u>\$278,823</u></u>

The notes to the basic financial statements are an integral part of this statement.

**South Central Ohio Educational Service Center**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2024*

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	Custodial Funds
	<hr/>
<b>Additions:</b>	
Amounts Received as Fiscal Agent	\$590,168
	<hr/>
<i>Total Additions</i>	590,168
 <b>Deductions:</b>	
Distributions as Fiscal Agent	528,049
	<hr/>
<i>Total Deductions</i>	528,049
	<hr/>
<i>Net Change in Net Position</i>	62,119
 <i>Net Position Beginning of Year</i>	216,704
	<hr/>
<i>Net Position End of Year</i>	\$278,823
	<hr/> <hr/>

The notes to the basic financial statements are an integral part of this statement.



## South Central Ohio Educational Service Center

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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

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

The Educational Service Center operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has 205 classified, 170 certified, and two administrative personnel that provide services to the local, city, and joint vocational school districts.

#### **Reporting Entity**

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

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

The Educational Service Center participates in six organizations, four of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as a related organization. Information about these organizations is presented in Note 13 to the basic financial statements. These organizations are:

#### *Jointly Governed Organizations*

- Metropolitan Educational Technology Association (META)
- Family and Children First Council of Scioto County
- Coalition of Rural and Appalachian Schools
- Ohio Coalition of Equity and Adequacy of School Funding

#### *Public Entity Shared Risk Pool*

- Optimal Health Initiatives Consortium

#### *Related Organization*

- Scioto County Career Technical Center

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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

#### **Note 2 – Summary of Significant Accounting Policies**

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

#### **Basis of Presentation**

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

##### *Government-wide Financial Statements*

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

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

##### *Fund Financial Statements*

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

#### **Fund Accounting**

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Educational Service Center fall within two categories: governmental and fiduciary.

##### *Governmental Funds*

Governmental funds are those through which most governmental functions of the Educational Service Center are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance.

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

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

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

#### *Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Educational Service Center's custodial funds account for various resources held for other organizations and individuals.

#### **Measurement Focus**

##### *Government-wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### **Basis of Accounting**

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within 60 days of fiscal year-end.

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

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

#### *Deferred Outflows/Inflows of Resources:*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net asset that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net asset that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Educational Service Center, deferred inflows of resources include unavailable revenue and pension and OPEB plans. Deferred inflows of resources related to pension and OPEB plans are reported on the government wide statement of net position. (See Notes 9 and 10) Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

#### *Expenses/Expenditures*

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

#### **Cash and Cash Equivalents**

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

During fiscal year 2024, the Educational Service Center’s investments were limited to STAROhio, a money market fund, and negotiable certificates of deposit. Investments, except for STAROhio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

During fiscal year 2024, the School District’s investments was limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer’s Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advanced noticed is appreciated for deposits and redemptions of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Educational Service Center has, by resolution, specified the funds to receive an allocation of interest earnings. Interest credited to the General Fund during 2024 amounted to \$130,803. An increase in fair value of investments, totaling \$18,583, was also recognized in the General Fund during 2024.

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

### **Capital Assets**

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

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

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

### **Compensated Absences**

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

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

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

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

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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#### **Accrued Liabilities and Long-Term Obligations**

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

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

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

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

#### **Interfund Balances**

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

#### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

#### **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent amounts assigned by the Treasurer for the encumbered amounts for outstanding obligations. The Treasurer has been given authority to assign amounts for the purposes by the Educational Service Center's Board.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Position**

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

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

**Estimates**

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

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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**Note 3 – Fund Balances**

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

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Prepays	\$17,465	\$294	\$17,759
<i>Assigned to</i>			
Future Purchases	198,586	0	198,586
Unassigned (Deficit)	836,550	(87,022)	749,528
Total Fund Balances	<u>\$1,052,601</u>	<u>(\$86,728)</u>	<u>\$965,873</u>

**Note 4 – Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the Educational Service Center treasury. Active monies must be maintained either as cash in the Educational Service Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

Interim monies held by the Educational Service Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Investments:* Investments are reported at fair value. As of June 30, 2024, the Educational Service Center had the following investments.

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
<i>Net Asset Value per Share</i>				
STAROhio	\$799,336	Less than one year	AAAm	56.73%
<i>Fair Value - Level One Inputs</i>				
Money Market Fund	7,710	Less than one year	AAAm	0.55%
<i>Fair Value - Level Two Inputs</i>				
Negotiable Certificates of Deposit	601,826	One to two years	N/A	42.72%
Total Investments	<u>\$1,408,872</u>			<u>100.00%</u>

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Educational Service Center's recurring fair value measurements as of June 30, 2024. As discussed further in note 2, STAROhio is reported at its share price. The Money Market Fund is measured at fair value using quoted market prices (Level 1 inputs). The Educational Service Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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

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

*Concentration of Credit Risk* – The Educational Service Center places no limit on the amount it may invest in any one issuer.

#### **Note 5 – State and Local Educational Service Center Funding**

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

The Educational Service Center received funding from the Ohio Department of Education and Workforce using a funding model which is based on student count. This amount is paid from State resources. The Department of Education and Workforce also deducts from the State Foundation Program settlement of each of the Educational Service Center’s local and client school districts an amount equal to \$6.50 times the school district’s total student count and remits this amount to the Educational Service Center.

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

#### **Note 6 - Receivables**

Receivables at June 30, 2024 consisted of accounts, intergovernmental grants, accrued interest and interfund amounts. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year.

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<i>Governmental Activities</i>	
Adult Basic Literacy Education Grant	\$99,319
Elementary and Secondary School Emergency Relief Grant	271,516
Title IV-B	15,494
Title I	17,818
<i>Total Intergovernmental Receivable</i>	<u><u>\$404,147</u></u>

**Note 7 – Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2024 was as follows:

	Balance at 6/30/23	Additions	Deductions	Balance at 6/30/24
<i>Governmental Activities</i>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$163,460	\$0	\$0	\$163,460
Construction in Progress	0	28,130	0	28,130
<i>Total Capital Assets Not Being Depreciated</i>	<u>163,460</u>	<u>28,130</u>	<u>0</u>	<u>191,590</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	2,747,212	15,775	0	2,762,987
Furniture, Fixtures and Equipment	585,327	76,692	0	662,019
<i>Total Capital Assets Being Depreciated</i>	<u>3,332,539</u>	<u>92,467</u>	<u>0</u>	<u>3,425,006</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(286,364)	(36,239)	0	(322,603)
Furniture, Fixtures and Equipment	(122,969)	(9,482)	0	(132,451)
<i>Total Accumulated Depreciation</i>	<u>(409,333)</u>	<u>(45,721)</u>	<u>0</u>	<u>(455,054)</u>
 Total Capital Assets Being Depreciated, Net	 <u>2,923,206</u>	 <u>46,746</u>	 <u>0</u>	 <u>2,969,952</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$3,086,666</u></u>	 <u><u>\$74,876</u></u>	 <u><u>\$0</u></u>	 <u><u>\$3,161,542</u></u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction</i>	
Regular	\$4,070
Special	18,092
Adult/Continuing	355
<i>Support Services</i>	
Pupils	9,279
Instructional Staff	3,177
Administration	1,487
Fiscal	932
Operation and Maintenance of Plant	3,329
Central	5,000
<i>Total Depreciation Expense</i>	<u><u>\$45,721</u></u>

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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#### **Note 8 – Risk Management**

##### **Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, the Educational Service Center contracted with Schools of Ohio Risk Sharing Authority (SORSA) for insurance consulting services. The premium paid to SORSA for fiscal year 2024 was \$26,763. The Educational Service Center also pays to the awarded insurance agency an insurance premium that is based on types of coverage, limits of coverage, and deductibles that it selects. For the fiscal year, the Educational Service Center contracted with SORSA for liability, property, and automobile liability insurance coverage and paid its premium to SORSA.

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

##### **Workers' Compensation**

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

##### **Health Care Benefits**

The Educational Service Center participates in the Optimal Health Initiatives Consortium (the Consortium), a public entity shared risk pool (Note 13), consisting of school districts whose insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf.

#### **Note 9 – Defined Benefit Pension Plans**

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

##### **Net Pension/OPEB Liability (Asset)**

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

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

The Ohio Revised Code limits the Educational Service Center's obligation for these liabilities to annually required payments. The Educational Service Center cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Educational Service Center does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have

## South Central Ohio Educational Service Center

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See note 10 for the required OPEB disclosures.

### School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of

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

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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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, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center's contractually required contributions to SERS were \$805,606 for fiscal year 2024. Of this amount, \$101,892 was reported as an intergovernmental payable.

### **State Teachers Retirement System (STRS)**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E), the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

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

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2024, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contributions to STRS were \$1,565,623 for fiscal year 2024. Of this amount, \$181,141 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Current Measurement Date	0.14219220%	0.075289420%	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.11713180%	0.068494240%	
Change in Proportionate Share	<u>0.02506040%</u>	<u>0.006795180%</u>	
Proportionate Share of the Net			
Pension Liability	\$7,856,852	\$16,213,530	\$24,070,382
Pension Expense	\$1,599,578	\$2,356,036	\$3,955,614

At June 30, 2024, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$337,705	\$591,110	\$928,815
Changes of assumptions	55,655	1,335,272	1,390,927
Changes in proportion and differences between Educational Service Center contributions and proportionate share of contributions	1,191,974	1,986,663	3,178,637
Educational Service Center contributions subsequent to the measurement date	<u>805,606</u>	<u>1,565,623</u>	<u>2,371,229</u>
Total Deferred Outflows of Resources	<u>\$2,390,940</u>	<u>\$5,478,668</u>	<u>\$7,869,608</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$0	\$35,978	\$35,978
Changes of assumptions	0	1,005,075	1,005,075
Net difference between projected and actual earnings on pension plan investments	<u>110,434</u>	<u>48,592</u>	<u>159,026</u>
Total Deferred Inflows of Resources	<u>\$110,434</u>	<u>\$1,089,645</u>	<u>\$1,200,079</u>

\$2,371,229 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (gain) as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2025	\$707,819	\$732,883	\$1,440,702
2026	26,536	158,976	185,512
2027	734,693	1,814,468	2,549,161
2028	<u>5,852</u>	<u>117,073</u>	<u>122,925</u>
Total	<u>\$1,474,900</u>	<u>\$2,823,400</u>	<u>\$4,298,300</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (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. Future benefits for all current plan members were projected through 2137.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into



**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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, 2023, are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.00 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

**Discount Rate** The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

***Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	\$11,596,311	\$7,856,852	\$4,707,069

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2023 actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	From 2.50 percent to 8.50 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent 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 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial 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:

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
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
Total	<u>100.00 %</u>	

\*Final target weights reflected at October 1, 2022.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Educational Service Center's proportionate share of the net pension liability	\$24,932,820	\$16,213,530	\$8,839,396

### **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2024, one member of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 10 – Defined Benefit OPEB Plans**

See note 9 for a description of the net OPEB liability (asset).

### **School Employees Retirement System (SERS)**

**Health Care Plan Description** - The Educational Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-

## South Central Ohio Educational Service Center

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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

The health care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the health care fund on a pay-as-you-go basis.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the Educational Service Center's surcharge obligation was \$95,158.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS for health care was \$95,158 for fiscal year 2024. Of this amount, \$95,158 was reported as an intergovernmental payable.

### **State Teachers Retirement System (STRS)**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net OPEB liability (asset) was based on the Educational Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense (gain):

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.14534620%	0.075289420%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	<u>0.11960110%</u>	<u>0.068494240%</u>	
Change in Proportionate Share	<u>0.02574510%</u>	<u>0.006795180%</u>	
Proportionate Share of the Net			
OPEB Liability	\$2,394,499	\$0	\$2,394,499
Proportionate Share of the Net			
OPEB Asset	\$0	(\$1,464,275)	(\$1,464,275)
OPEB Expense (Gain)	\$100,192	(\$73,761)	\$26,431

At June 30, 2024, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$4,988	\$2,283	\$7,271
Changes of assumptions	809,650	215,709	1,025,359
Net difference between projected and actual earnings on pension plan investments	18,558	2,615	21,173
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	1,269,004	9,822	1,278,826
Educational Service Center contributions subsequent to the measurement date	95,158	0	95,158
Total Deferred Outflows of Resources	<u>\$2,197,358</u>	<u>\$230,429</u>	<u>\$2,427,787</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$1,234,931	\$223,336	\$1,458,267
Changes of assumptions	680,060	96,109	1,646,169
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	0	45,547	45,547
Total Deferred Inflows of Resources	<u>\$1,914,991</u>	<u>\$1,234,992</u>	<u>\$3,149,983</u>

\$95,158 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (gain) as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2025	(\$104,738)	(\$437,510)	(\$542,248)
2026	(71,510)	(198,619)	(270,129)
2027	16,003	(79,762)	(63,759)
2028	33,205	(107,602)	(74,397)
2029	30,007	(99,125)	(69,118)
Thereafter	284,242	(81,945)	202,297
Total	<u>\$187,209</u>	<u>(\$1,004,563)</u>	<u>(\$817,354)</u>

**Actuarial Assumptions - SERS**

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

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, are presented below:

Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate:	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate:	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medical Trend Assumption:	
Measurement Date	6.75 percent to 4.40 percent
Prior Measurement Date	7.00 percent to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020 and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Assets/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
Educational Service Center's proportionate share of the net OPEB liability	\$3,060,855	\$2,394,499	\$1,869,050
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
Educational Service Center's proportionate share of the net OPEB liability	\$1,759,156	\$2,394,499	\$3,236,415



**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2023 actuarial valuation compared to the prior year are presented below:

	June 30, 2023	June 30, 2022
Projected Salary Increases	Varies by service from 2.50 percent to 8.50 percent	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent	3.00 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends:		
Medical:		
Pre-Medicare	7.50 percent initial, 4.14 percent ultimate	7.50 percent initial, 3.94 percent ultimate
Medicare	-10.94 percent initial, 4.14 percent ultimate	-68.78 percent initial, 3.94 percent ultimate
Prescription Drug:		
Pre-Medicare	-11.95 percent initial, 4.14 percent ultimate	9.00 percent initial, 3.94 percent ultimate
Medicare	1.33 percent initial, 4.14 percent ultimate	-5.47 percent initial, 3.94 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial 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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
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
Total	<u>100.00 %</u>	

\*Final target weights reflected at October 1, 2022.

## South Central Ohio Educational Service Center

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net OPEB asset	(\$1,239,317)	(\$1,464,275)	(\$1,660,190)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	(\$1,669,281)	(\$1,464,275)	(\$1,217,349)

## Note 11 – Employee Benefits

### Compensated Absences

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

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

### Insurance Benefits

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

### Deferred Compensation

Educational Service Center employees may participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Business Officials Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Note 12 – Long-Term Obligations**

The changes in the Educational Service Center’s long-term obligations during fiscal year 2024 were as follows:

	Amount Outstanding 6/30/23	Additions	Deductions	Amount Outstanding 6/30/24	Amounts Due Within One Year
<i>Governmental Activities</i>					
<i>Direct Placement</i>					
Loan Payable	\$389,167	\$0	(\$110,000)	\$279,167	\$110,000
Compensated Absences	1,395,063	304,881	(160,252)	1,539,692	146,784
<i>Net Pension Liability</i>					
STRS	15,226,356	987,174	0	16,213,530	0
SERS	6,335,399	1,521,453	0	7,856,852	0
<i>Total Net Pension Liability</i>	21,561,755	2,508,627	0	24,070,382	0
<i>Net OPEB Liability</i>					
SERS	1,679,212	715,287	0	2,394,499	0
<i>Total Governmental Activities Long-Term Obligations</i>	<u>\$25,025,197</u>	<u>\$3,528,795</u>	<u>(\$270,252)</u>	<u>\$28,283,740</u>	<u>\$256,784</u>

During fiscal year 2022, the Educational Service Center entered into a construction loan for \$1,100,000 at an interest rate of 1.65% over 10 years for the construction of the Childhood Development Center and an exterior elevator and stairs to the South Central Educational Service Center Business Center. The loan will be paid from the General Fund.

Principal and interest requirements to the Educational Service Center’s outstanding debt at June 30, 2024, are as follows:

Fiscal Year Ending June 30,	Direct Placement Loan Payable	
	Principal	Interest
2025	\$110,000	\$4,606
2026	110,000	2,791
2027	59,167	976
Total	<u>\$279,167</u>	<u>\$8,373</u>

The Educational Service Center pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund and the Adult Basic Literacy Education, Ohio School Psychology Internship, Elementary and Secondary School Emergency Relief, Governor’s Emergency Education Relief and Preschool Special Revenue Funds. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds: General Fund, the Adult Basic Literacy Education, and State Miscellaneous Grant Special Revenue Funds. For additional information related to the net pension/OPEB liability (asset), see Notes 9 and 10.

## South Central Ohio Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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### **Note 13 – Jointly Governed Organizations, Public Entity Shared Risk Pool, and Related Organization**

#### **Jointly Governed Organizations**

##### *Metropolitan Educational Technology Association (META)*

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

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each Educational Service Center's degree of control is limited to its representation on the Board. The Educational Service Center paid META \$27,455 for services provided during the fiscal year. Financial information can be obtained from META Solutions, Ashley Widby, CFO, 100 Executive Drive, Marion Ohio 43302.

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

The Family and Children First Council of Scioto County (the Council) is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: the director of the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence, and Scioto Counties; the director of the Scioto County Health Department; the director of the City of Portsmouth Health Department; the director of the Scioto County Department of Human Services; the executive director of the Scioto County Children Services; the superintendent of the Scioto County Board of Developmental Disabilities; the Scioto County juvenile court judge; the superintendent of the city, exempted village, or local Educational Service Centers with the largest number of pupils residing in the County; a school superintendent representing all other Educational Service Centers in the County; a representative of the City of Portsmouth; the chair of the Scioto County commissioners; a representative of the regional office of the department of youth services; a representative of the Scioto County Head Start Program; a representative of the County's Early Intervention Collaborative established pursuant to the program; a representative of the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1988" and at least three individuals representing the interest of families in the County. The Council provides services to disadvantage school age children. The Educational Service Center made no contributions to the Council during fiscal year 2024. Continued existence of the Council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding. The Council exercises total control over the operations including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Council. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at 522 Glenwood Avenue, New Boston, Ohio 45662.

##### *Coalition of Rural and Appalachian Schools*

The Coalition of Rural and Appalachian Schools (the "Coalition") is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for Educational Service Center administrative personnel; gathers data regarding education conditions in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The Coalition is not dependent upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or a financial responsibility for the Coalition. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The Educational Service Center paid \$0 to the Coalition for services provided during the fiscal year.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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### *The Ohio Coalition of Equity and Adequacy of School Funding*

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the Educational Service center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2024, the Educational Service Center paid \$1,000 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

### **Public Entity Shared Risk Pool**

#### *Optimal Health Initiatives Consortium*

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

### **Related Organization**

#### *Scioto County Career Technical Center*

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

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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**Note 14 – Interfund Activity**

As of June 30, 2024, the Educational Service Center had the following interfund receivables and payables outstanding.

	Interfund Receivable	Interfund Payable
<i>Major Fund</i>		
General	\$87,939	\$0
<i>Nonmajor Funds</i>		
Adult Basic Literacy Education	0	27,314
Elementary and Secondary Emergency Relief	0	40,254
Title IV-B	0	2,831
Miscellaneous Federal Grants	0	17,540
Total Nonmajor Funds	0	87,939
Total All Funds	\$87,939	\$87,939

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

**Note 15 – Contingencies**

**Grants**

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2024, if applicable, cannot be determined at this time.

**School Foundation**

Educational Service Center Foundation is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. DEW adjustments for fiscal year 2024 have been finalized.

DEW has released two adjustments for fiscal year 2024. These adjustments resulted in an amount due to the Educational Service Center from the State foundation of \$13,691, which has been reported as an intergovernmental receivable.

**Litigation**

The Educational Service Center is not party to any legal proceedings as of June 30, 2024.

**South Central Ohio Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2024*

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**Note 16 – Significant Commitments**

**Encumbrances**

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

General Fund	\$506,489
Nonmajor Governmental Funds	<u>430,154</u>
Total	<u><u>\$936,643</u></u>

**Note 17 – Accountability**

At June 30, 2024, the following nonmajor special revenue funds had deficit fund balances:

Funds	Amounts
Elementary and Secondary Emergency Relief	\$50,949
Alternative	464
Adult Basic Literacy Education	18,406
Miscellaneous Federal Grants	<u>16,909</u>
Total	<u><u>\$86,728</u></u>

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

**Note 18 – Ohio Department of Health Grants**

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

Grant Title:	Maternal, Infant and Early Childhood Home Visiting (MH)
Federal Awarding Agency:	Department of Health & Health Services and Resources Administration
Pass-Thru Entity:	Ohio Department of Health
CFDA Number:	93.870
Project Numbers:	07350011MH1123
	07350011MH1124
Reimbursement Amount:	\$246,068

**South Central Ohio Educational Service Center**  
*Required Supplementary Information*  
*Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability*  
*Last Ten Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>State Teachers Retirement System</i>										
Educational Service Center's proportion of the net pension liability	0.04969142%	0.05074331%	0.05128086%	0.05263676%	0.05147062%	0.05484386%	0.05898032%	0.060330734%	0.068494240%	0.075289420%
Educational Service Center's proportionate share of the net pension liability	\$12,086,673	\$14,023,966	\$17,165,250	\$12,503,976	\$11,317,234	\$12,128,389	\$14,271,138	\$7,713,827	\$15,226,356	\$16,213,530
Educational Service Center's covered payroll	\$5,080,377	\$5,341,821	\$5,349,371	\$5,733,771	\$6,036,021	\$6,443,564	\$7,424,379	\$7,493,579	\$10,634,071	\$7,936,950
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered payroll	237.9%	262.5%	320.9%	218.1%	187.5%	188.2%	192.2%	102.9%	143.2%	204.3%
Plan fiduciary net position as a percentage of the total pension liability	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%	87.8%	78.9%	80.0%
<i>School Employees Retirement System</i>										
Educational Service Center's proportion of the net pension liability	0.05581100%	0.05866760%	0.06479070%	0.06688510%	0.06815190%	0.07377750%	0.08734090%	0.101394700%	0.117131800%	0.142192200%
Educational Service Center's proportionate share of the net pension liability	\$2,824,563	\$3,347,631	\$4,742,080	\$3,996,237	\$3,903,186	\$4,414,237	\$5,776,912	\$3,741,170	\$6,335,399	\$7,856,852
Educational Service Center's covered payroll	\$1,671,804	\$1,815,205	\$1,991,650	\$2,183,807	\$2,355,067	\$2,577,689	\$3,278,871	\$3,604,850	\$5,165,557	\$4,556,014
Educational Service Center's proportionate share of the net pension liability as a percentage of its covered payroll	169.0%	184.4%	238.1%	183.0%	165.7%	171.2%	176.2%	103.8%	122.6%	172.5%
Plan fiduciary net position as a percentage of the total pension liability	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%	82.9%	75.8%	76.1%

The amounts presented are as of the Educational Service Center's measurement date, which is the prior fiscal year end.  
See the accompanying notes to the required supplementary information.



**South Central Ohio Educational Service Center**  
*Required Supplementary Information*  
*Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)*  
*Last Eight Fiscal Years*

	2017	2018	2019	2020	2021	2022	2023	2024
<i>State Teachers Retirement System</i>								
Educational Service Center's proportion of the net OPEB liability (asset)	0.05128086%	0.05263676%	0.05147062%	0.05484386%	0.05898032%	0.060330734%	0.068494240%	0.075289420%
Educational Service Center's proportionate share of the net OPEB liability (asset)	\$2,742,514	\$2,053,692	(\$827,080)	(\$908,347)	(\$1,036,578)	(\$1,272,024)	(\$1,773,543)	(\$1,464,275)
Educational Service Center's covered payroll	\$5,349,371	\$5,733,771	\$6,036,021	\$6,443,564	\$7,424,379	\$7,493,579	\$10,634,071	\$7,936,950
Educational Service Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	51.3%	35.8%	-13.7%	-14.1%	-14.0%	-17.0%	-16.7%	-18.4%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%	174.7%	230.7%	168.5%
<i>School Employees Retirement System</i>								
Educational Service Center's proportion of the net OPEB liability	0.06530290%	0.06759860%	0.06860520%	0.07498060%	0.08689940%	0.103859400%	0.119601100%	0.145346200%
Educational Service Center's proportionate share of the net OPEB liability	\$1,861,374	\$1,814,169	\$1,903,293	\$1,885,604	\$1,888,608	\$1,965,624	\$1,679,212	\$2,394,499
Educational Service Center's covered payroll	\$1,991,650	\$2,183,807	\$2,355,067	\$2,577,689	\$3,278,871	\$3,604,850	\$5,165,557	\$4,556,014
Educational Service Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.5%	83.1%	80.8%	73.2%	57.6%	54.5%	32.5%	52.6%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%	24.1%	30.3%	30.0%

The amounts presented are as of the Educational Service Center's measurement date, which is the prior fiscal year end.

Information not available prior to 2017.

See the accompanying notes to the required supplementary information.

**South Central Ohio Educational Service Center**  
*Required Supplementary Information*  
*Schedule of Educational Service Center Contributions*  
*Last Ten Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$747,855	\$748,912	\$802,728	\$845,043	\$902,099	\$1,039,413	\$1,049,101	\$1,488,770	\$1,111,173	\$1,565,623
Contractually required contribution - OPEB	0	0	0	0	0	0	0	0	0	0
Contractually required contribution - total	747,855	748,912	802,728	845,043	902,099	1,039,413	1,049,101	1,488,770	1,111,173	1,565,623
Contributions in relation to the contractually required contribution	747,855	748,912	802,728	845,043	902,099	1,039,413	1,049,101	1,488,770	1,111,173	1,565,623
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Educational Service Center's covered payroll	\$5,341,821	\$5,349,371	\$5,733,771	\$6,036,021	\$6,443,564	\$7,424,379	\$7,493,579	\$10,634,071	\$7,936,950	\$11,183,021
Contributions as a percentage of covered payroll - pension	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$239,244	\$278,831	\$305,733	\$317,934	\$347,988	\$459,042	\$504,679	\$723,178	\$637,842	\$805,606
Contractually required contribution - OPEB (1)	15,095	0	0	11,775	12,888	0	0	0	0	0
Contractually required contribution - total	254,339	278,831	305,733	329,709	360,876	459,042	504,679	723,178	637,842	805,606
Contributions in relation to the contractually required contribution	254,339	278,831	305,733	329,709	360,876	459,042	504,679	723,178	637,842	805,606
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Educational Service Center's covered payroll	\$1,815,205	\$1,991,650	\$2,183,807	\$2,355,067	\$2,577,689	\$3,278,871	\$3,604,850	\$5,165,557	\$4,556,014	\$5,754,329
Contributions as a percentage of covered payroll - pension	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See the accompanying notes to the required supplementary information.

## **State Teachers Retirement System**

### **Pension**

#### **Changes in benefit terms**

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2024.

#### **Changes in assumptions**

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

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

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

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

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

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

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.
- The projected salary increases changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent.

There were no changes in assumptions for fiscal year 2024.

### **OPEB**

#### **Changes in benefit terms**

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

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

- The HealthSpan HMO plans were eliminated.

**South Central Ohio Educational Service Center**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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

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

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

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

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

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

There were no changes to benefit terms for fiscal years 2023 and 2024.

#### Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

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

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

**South Central Ohio Educational Service Center**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- The assumed salary scale was modified.

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

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

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

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

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

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

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

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

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Pre-Medicare – from 5.00 percent initial, 4 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
  - Medical Medicare – from -16.18 percent initial, 4 percent ultimate to -68.78 percent initial, 3.94 percent ultimate
  - Prescription Drug Pre-Medicare – from 6.50 percent initial, 4 percent ultimate to 9.00 percent initial, 3.94 percent ultimate
  - Prescription Drug Medicare – from 29.98 percent initial, 4 percent ultimate to -5.47 percent initial, 3.94 percent ultimate
- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

**South Central Ohio Educational Service Center**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- The projected salary increases changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent.

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Pre-Medicare – from 7.50 percent initial, 3.94 percent ultimate to 7.50 percent initial, 4.14 percent ultimate
  - Medical Medicare – from -68.78 percent initial, 3.94 percent ultimate to -10.94 percent initial, 4.14 percent ultimate
  - Prescription Drug Pre-Medicare – from 9.00 percent initial, 3.94 percent ultimate to -11.95 percent initial, 4.14 percent ultimate
  - Prescription Drug Medicare – from -5.47 percent initial, 3.94 percent ultimate to 1.33 percent initial, 4.14 percent ultimate

### **School Employees Retirement System**

#### **Pension**

##### **Changes in benefit terms**

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

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

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

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

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

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

For fiscal year 2023, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

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

There were no changes to benefit terms for fiscal year 2024.

##### **Changes in assumptions**

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

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent

**South Central Ohio Educational Service Center**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- Payroll Growth Assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Investment rate of return was reduced from 7.75 percent to 7.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled member was updated to the following:
  - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

- Assumed rate of inflation was reduced from 3.0 percent to 2.4 percent
- Payroll Growth Assumption was reduced from 3.5 percent to 3.25 percent
- Investment rate of return was reduced from 7.5 percent to 7.0 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among members was updated to the following:
  - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

There were no changes in assumptions for fiscal years 2023 and 2024.

## **OPEB**

### Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2024.

### Changes in assumptions

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll growth assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:

**South Central Ohio Educational Service Center**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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

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

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

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

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
  - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

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

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
  - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

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

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

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

- The inflation rate decreased from 3.0 percent to 2.4 percent.
- Projected salary increases decreased from 3.5 percent to 3.25 percent.
- Investment rate of return decreased from 7.5 percent to 7.0 percent.
- The municipal bond index rate decreased from 2.45 percent to 1.92 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 2.63 percent to 2.27 percent.



**South Central Ohio Educational Service Center**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2024*

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- The medical trend assumption rate changed as follows:
  - Medicare – 2020 – 5.25 to 4.75 percent, 2022 – 5.125 to 4.4 percent
  - Pre-Medicare – 2020 – 7 to 4.75 percent, 2022 – 6.75 to 4.4 percent
- Mortality among members was updated to the following:
  - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 1.92 percent to 3.69 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.27 percent to 4.08 percent.

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 3.69 percent to 3.86 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 4.08 percent to 4.27 percent.
- The medical trend assumption decreased from 7.00 percent to 6.75 percent.

**South Central Ohio Educational Service Center**  
*Schedule of Revenues, Expenditures and Change*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2024*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$960,000	\$539,151	\$539,151	\$0
Interest	15,000	130,311	130,311	0
Tuition and Fees	9,351,698	10,480,454	10,480,454	0
Gifts and Donations	20,000	17,406	17,406	0
Customer Sales and Services	1,408,000	1,811,856	1,811,856	0
<i>Total Revenues</i>	11,754,698	12,979,178	12,979,178	0
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,114,028	2,411,410	2,411,410	0
Special	2,205,422	2,390,710	2,390,710	0
Adult/Continuing	1,000	6,048	6,048	0
Support Services:				
Pupils	3,393,791	4,621,338	4,621,338	0
Instructional Staff	511,402	621,008	621,008	0
Board of Education	61,716	61,144	61,144	0
Administration	542,634	562,253	562,253	0
Fiscal	440,907	480,432	480,432	0
Operation and Maintenance of Plant	536,489	678,084	678,084	0
Central	1,130,034	1,153,424	1,153,424	0
Capital Outlay	113,126	243,468	243,468	0
Debt Service:				
Principal	610,000	110,000	110,000	0
Interest	34,042	23,615	23,615	0
<i>Total Expenditures</i>	12,694,591	13,362,934	13,362,934	0
<i>Excess of Revenues Under Expenditures</i>	(939,893)	(383,756)	(383,756)	0
<b>Other Financing Sources (Uses):</b>				
Advances In	500,000	1,022,337	1,022,337	0
Insurance Recoveries	0	26,797	26,797	0
Advances Out	(484,713)	(972,482)	(972,482)	0
<i>Total Other Financing Sources (Uses)</i>	15,287	76,652	76,652	0
<i>Net Change in Fund Balance</i>	(924,606)	(307,104)	(307,104)	0
<i>Fund Balance at Beginning of Year</i>	2,598,360	2,598,360	2,598,360	0
<i>Prior Year Encumbrances Appropriated</i>	266,575	266,575	266,575	0
<i>Fund Balance at End of Year</i>	<u>\$1,940,329</u>	<u>\$2,557,831</u>	<u>\$2,557,831</u>	<u>\$0</u>

The notes to the supplementary information are an integral part of this schedule.

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

### *Notes to the Supplementary Information*

*For the Fiscal Year Ended June 30, 2024*

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#### **Note 1 – Budgetary Process**

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

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

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

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

#### **Note 2 – Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under general accepted accounting principles and were reported with the general fund (GAAP basis).

**South Central Ohio Educational Service Center**

*Notes to the Supplementary Information*

*For the Fiscal Year Ended June 30, 2024*

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$412,121)
<i>Adjustments:</i>	
Revenue Accruals	(228,389)
Expenditure Accruals	340,128
Encumbrances	(464,793)
Net Other Financing Sources (Uses)	49,855
Excess of Revenues Over (Under)	
Expenditures of Combined Funds	<u>408,216</u>
Budget Basis	<u>(\$307,104)</u>

**South Central Ohio Educational Service Center**  
**Scioto County, Ohio**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2024*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Assistance Listing Number	Federal Awards Expenditures
<b><u>United States Department of Treasury</u></b>			
<i>Passed through the Ohio Facilities Construction Commission</i>			
COVID-19 Coronavirus Relief Fund - Security Grant	N/A	21.027	\$ 77,095
<b>Total United States Department of Treasury</b>			<b>77,095</b>
<b><u>United States Department of Education</u></b>			
<i>Passed through the Ohio Department of Education and Workforce</i>			
Adult Education - Basic Grants to States	N/A	84.002	349,178
Title I - D Delinquent	N/A	84.010A	32,138
Special Education Cluster			
Special Education Preschool Grants	N/A	84.173	51,732
Total Special Education Cluster			51,732
Twenty-First Century Community Learning Centers	N/A	84.287	148,902
COVID-19 Education Stabilization Fund			
COVID-19 Governors Emergency Relief Fund	N/A	84.425C	7,427
COVID-19 RDL Student Readiness	N/A	84.425U	355,548
COVID-19 Extended Learning Recovery	N/A	84.425U	493,936
COVID-19 Family Engagement Liasons	N/A	84.425U	106,236
COVID-19 Literacy Grant	N/A	84.425U	295,852
Total Education Stabilization Fund			1,258,999
<i>Passed through the Ohio Department of Developmental Disabilities</i>			
Speical Education - Grants for Infants and Families	H181A180024	84.181	242,645
COVID-19 Speical Education - Grants for Infants and Families	N/A	84.181	22,238
Total Special Education - Grants for Infants and Families			264,883
<b>Total United States Department of Education</b>			<b>2,105,832</b>
<b><u>United States Department of Health and Human Services</u></b>			
<i>Passed through Ohio Department of Mental Health and Addiction Services</i>			
MaryLee Allen Promiting Safe and Stable Families	N/A	93.556	30,633
Stephanie Tubbs Jones Child Welfare Services Program	N/A	93.645	3,843
<i>Passed through the Ohio Department of Health</i>			
Maternal, Infant and Early Childhood Home Visiting Grant	07350011MH1123	93.870	155,404
Maternal, Infant and Early Childhood Home Visiting Grant	07350011MH1022	93.870	68,414
Total Maternal, Infant and Early Childhood Home Visiting Grant			223,818
<b>Total United States Department of Health and Human Services</b>			<b>258,294</b>
<b>Total Federal Financial Assistance</b>			<b>\$2,441,221</b>

N/A - not applicable

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**South Central Ohio Educational Service Center**  
**Scioto County, Ohio**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2024*

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**Note A – Basis of Presentation**

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of South Central Ohio Educational Service Center's federal award programs. 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*. Because the schedule presents only a selected portion of the operations of South Central Ohio Educational Service Center, it is not intended to and does not present the financial position and changes in net position of the Educational Service Center.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. South Central Ohio Educational Service Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note C – Indirect Cost Rate**

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

**Note D – Transfers Between Program Years**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The South Central Ohio Educational Service Center transferred the following amounts from 2024 to 2025 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amount</u>
Title I	84.010	\$5,006

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

Independent Auditor's Report

Members of the Board  
South Central Ohio Educational Service Center  
522 Glenwood Avenue  
New Boston, Ohio 45662

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of South Central Ohio Educational Service Center, Scioto County, Ohio (the Educational Service Center) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements, and have issued our report thereon dated March 28, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

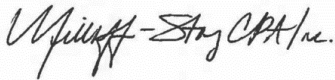
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

March 28, 2025



**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by the Uniform Guidance**

Independent Auditor's Report

Members of the Board  
South Central Ohio Educational Service Center  
522 Glenwood Avenue  
New Boston, Ohio 45662

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the compliance of South Central Ohio Educational Service Center, Scioto County, Ohio (the Educational Service Center) 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 the Educational Service Center's major federal program for the year ended June 30, 2024. The Educational Service Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Educational Service Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Educational Service Center's major federal program for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

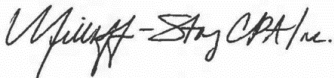
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

South Central Ohio Educational Service Center  
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the  
Uniform Guidance  
Page 3

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.

A handwritten signature in black ink that reads "Millhuff-Stang CPA, Inc." The signature is written in a cursive, flowing style.

Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

March 28, 2025

**South Central Ohio Educational Service Center**  
**Scioto County**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*For the Fiscal Year Ended June 30, 2024*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No
Identification of major program(s):	COVID-19 Education Stabilization Fund (AL #84.425)
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

# OHIO AUDITOR OF STATE KEITH FABER



**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER**

**SCIOTO COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/3/2025**

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

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