bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

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OHIO AUDITOR OF STATE
KEITH FABER

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Board of Education
Miami County Educational Service Center
2000 West Stanfield Road
Troy, Ohio 45373

We have reviewed the *Independent Auditor's Report* of the Miami County Educational Service Center, Miami County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2021 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

April 03, 2024

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MIAMI COUNTY EDUCATIONAL SERVICE CENTER
MIAMI COUNTY
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Miami County Educational Service Center
Miami County
2000 West Stanfield Road
Troy, OH 45373

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami County Educational Service Center, Miami County, Ohio (the Educational Service), as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami County Educational Service Center, Miami County, Ohio as of June 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with the 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. 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.

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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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Educational Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
February 23, 2024

The discussion and analysis of the Miami County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2023. 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 the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- Charges for Services revenue increased due to an increase in the needs for special education students.

- The most significant changes from the prior fiscal year are due to the State-wide pension systems' changes in assumptions and benefit terms.

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 Miami County 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 most significant funds with all other nonmajor funds presented in total in one column.

Reporting the Educational Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2023?" The statement of net position and the statement of activities 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 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. This 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, and some not.

In the statement of net position and the statement of activities, the Educational Service Center only reports governmental activities. Governmental activities are the activities where all of the Educational Service Center's programs and services are reported including, but not limited to, instruction, support services and operation and maintenance of plant.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 9. 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. The Educational Service Center's only major governmental fund is the General Fund.

Governmental Funds

All of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The Educational Service Center's fiduciary fund consists of a custodial fund. Custodial fund reporting focuses on net position and changes in net position. Fiduciary funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Recall that the statement of net position provides the perspective of the Educational Service Center as a whole.

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2023 compared to fiscal year 2022.

Table 1
Net Position

	2023	2022	Change
Assets:			
Current and Other Assets	$7,574,405	$7,172,744	$401,661
Net OPEB Aset	1,731,206	1,361,867	369,339
Capital Assets, Net	1,041,363	1,022,835	18,528
Total Assets	10,346,974	9,557,446	789,528
Deferred Outflows of Resources:			
Pension	5,671,934	5,307,035	364,899
OPEB	874,710	992,633	(117,923)
Total Deferred Outflows of Resources	6,546,644	6,299,668	246,976
Liabilities:			
Other Liabilities	2,272,938	2,285,296	(12,358)
Long-Term Liabilities:			
Due Within One Year	20,788	27,323	(6,535)
Net Pension Liability	21,736,367	12,778,411	8,957,956
Net OPEB Liability	1,826,458	2,388,830	(562,372)
Other Liabilities	811,105	753,129	57,976
Total Liabilities	26,667,656	18,232,989	8,434,667
Deferred Inflows of Resources:			
Pension	1,863,322	9,866,173	(8,002,851)
OPEB	3,411,011	3,013,944	397,067
Total Deferred Inflows of Resources	5,274,333	12,880,117	(7,605,784)
Net Position:			
Net Investment in Capital Assets	980,803	1,016,888	(36,085)
Restricted	383,280	36,802	280,143
Unrestricted (Deficit)	(16,412,454)	(16,309,682)	(36,437)
Total Net Position (Deficit)	($15,048,371)	($15,255,992)	$207,621

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Educational Service Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Current and other assets increased $401,661 due to an increase in intergovernmental receivable. This increase is due to a reconciliation for service provided to other entities which resulted in a $400,000 receivable from Troy City School District. Net OPEB asset increased $369,339 due to STRS changes in actuarial assumptions from the prior fiscal year.

Total liabilities of the Educational Service Center increased mainly in the net pension liability. The net pension liability increase was due to an increase in both the net pension liabilities for both SERS and STRS, thus causing the net pension liability to increase for the Educational Service Center as well.

The Educational Service Center's deferred inflows of resources decreased, primarily due to the change in the net difference between projected and annual earnings on pension plan investments compared to the prior year.

Total net position increased $207,621 mainly due to STRS changes in actuarial assumptions from the prior fiscal year.

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 2023 and 2022.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2023, and 2022.

Table 2
Changes in Net Position

	2023	2022	Change
Revenues:			
Program Revenues:			
Charges for Services	$20,742,798	$19,438,763	$1,304,035
Operating Grants and Contributions	850,857	545,920	304,937
Total Program Revenues	21,593,655	19,984,683	1,608,972
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	476,181	438,685	37,496
Investment Earnings	65,615	(30,725)	96,340
Gifts and Donations	500	4,745	(4,245)
Miscellaneous	342,163	281,161	61,002
Total General Revenues	884,459	693,866	190,593
Total Revenues	22,478,114	20,678,549	1,799,565
Program Expenses:			
Instruction:			
Regular	842,578	665,486	177,092
Special	12,711,462	11,402,648	1,308,814
Support Services:			
Pupils	4,819,011	4,168,605	650,406
Instructional Staff	1,399,818	745,097	654,721
Board of Education	18,310	19,704	(1,394)
Administration	1,922,633	1,673,572	249,061
Fiscal	318,705	307,086	11,619
Business	0	19	(19)
Operation and Maintenance of Plant	221,078	157,672	63,406
Pupil Transportation	13,257	3,232	10,025
Interest	3,641	1,027	2,614
Total Expenses	22,270,493	19,144,148	3,126,345
Change in Net Position	207,621	1,534,401	(1,326,780)
Net Position (Deficit) at Beginning of Year	(15,255,992)	(16,790,393)	1,534,401
Net Position (Deficit) at End of Year	($15,048,371)	($15,255,992)	$207,621

Governmental Activities

In total, revenues increased $1,799,565 due to increases in charges for services due to the Educational Service center providing additional staff for classrooms for occupational and speech therapy. The increase in operating grants and contributions was due to the Educational Service Center receiving additional grant funding from the Elementary and Secondary School Emergency Relief program.

Expenses increased $3,126,345 from fiscal year 2022. This increase is mainly the result of an increase in pension expense associated with the significant increase the net pension liability compared to the prior fiscal year along with a significant decrease in deferred inflows associated with the net difference between projected and actual earnings on pension plan investments, especially the decrease associated with STRS. In addition, expenses also increased as a result of a three percent increase to salaries and an eight percent increase to health insurance premiums.

The Educational Service Center's Funds

Information about the Educational Service Center's major fund starts on page 12. The Educational Service Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $22,346,496 and expenditures of $22,128,710. The net change in fund balance for the fiscal year in the General Fund was a increase of $365,070. This increase is due to revenues outpacing expenditures.

Capital Assets

At the end of fiscal year 2023, the Educational Service Center had $1,041,363 invested in land, intangible right to use, buildings and improvements, furniture, equipment and vehicles, net of depreciation.

For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2023, the Educational Service Center had $60,560 in total outstanding debt consisting of leases. Refer to Note 13 of the basic financial statements for additional information.

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 questions about this report or need additional financial information, contact Cindy Hale, Treasurer, at Miami County Educational Service Center, 2000 West Stanfield Rd, Troy, Ohio, 45373-2987 or email at Cindy.Hale@miami.k12.oh.us.

Miami County Educational Service Center
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,897,535
Accrued Interest Receivable	3,154
Accounts Receivable	85,560
Intergovernmental Receivable	545,767
Prepaid Items	42,389
Net OPEB Asset	1,731,206
Nondepreciable Capital Assets	119,608
Depreciable Capital Assets, Net	921,755
Total Assets	10,346,974
Deferred Outflows of Resources:	
Pension	5,671,934
OPEB	874,710
Total Deferred Outflows of Resources	6,546,644
Liabilities:	
Accounts Payable	83,950
Accrued Wages and Benefits Payable	1,810,375
Matured Compensated Absences Payable	6,778
Accrued Interest Payable	374
Accrued Vacation Leave Payable	39,257
Intergovernmental Payable	332,204
Long-Term Liabilities:	
Due Within One Year	20,788
Due in More Than One Year:	
Net Pension Liability	21,736,367
Net OPEB Liability	1,826,458
Other Amounts	811,105
Total Liabilities	26,667,656
Deferred Inflows of Resources:	
Pension	1,863,322
OPEB	3,411,011
Total Deferred Inflows of Resources	5,274,333
Net Position:	
Net Investment in Capital Assets	980,803
Restricted for:	
Student Activities	3,053
Local Grants	2,144
OPEB Plan	378,083
Unrestricted (Deficit)	(16,412,454)
Total Net Position (Deficit)	($15,048,371)

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$842,578	$814,306	$485	($27,787)
Special	12,711,462	12,394,536	228,443	(88,483)
Support Services:				
Pupils	4,819,011	4,508,585	153,092	(157,334)
Instructional Staff	1,399,818	851,304	466,362	(82,152)
Board of Education	18,310	0	0	(18,310)
Administration	1,922,633	1,846,940	2,475	(73,218)
Fiscal	318,705	327,127	0	8,422
Operation and Maintenance of Plant	221,078	0	0	(221,078)
Pupil Transportation	13,257	0	0	(13,257)
Interest	3,641	0	0	(3,641)
Total Governmental Activities	$22,270,493	$20,742,798	$850,857	(676,838)
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				476,181
Investment Earnings				65,615
Gifts and Donations				500
Miscellaneous				342,163
Total General Revenues				884,459
Change in Net Position				207,621
Net Position (Deficit) at Beginning of Year				(15,255,992)
Net Position (Deficit) at End of Year				($15,048,371)

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$6,894,422	$3,053	$6,897,475
Accrued Interest Receivable	3,154	0	3,154
Accounts Receivable	85,560	0	85,560
Intergovernmental Receivable	430,400	115,367	545,767
Interfund Receivable	69,094	0	69,094
Prepaid Items	42,389	0	42,389
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	60	0	60
Total Assets	$7,525,079	$118,420	$7,643,499
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	$83,675	$275	$83,950
Accrued Wages and Benefits Payable	1,767,598	42,777	1,810,375
Matured Compensated Absences Payable	6,778	0	6,778
Interfund Payable	0	69,094	69,094
Intergovernmental Payable	328,983	3,221	332,204
Total Liabilities	2,187,034	115,367	2,302,401
Deferrred Inflows of Resources:			
Unavailable Revenue	86,141	46,273	132,414
Fund Balances:			
Nonspendable	42,449	0	42,449
Restricted	0	3,053	3,053
Committed	165,840	0	165,840
Assigned	13,884	0	13,884
Unassigned (Deficit)	5,029,731	(46,273)	4,983,458
Total Fund Balances (Deficit)	5,251,904	(43,220)	5,208,684
Total Liabilities, Deferred Inflows and Fund Balances	$7,525,079	$118,420	$7,643,499

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total Governmental Fund Balances		$5,208,684
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.		1,041,363
Some of the Educational Service Center's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
Accounts	83,798	
Intergovernmental Grants	46,273	
Investment Earnings	2,343	
Total		132,414
The net Pension and net OPEB liabilities (asset) are not due and payable in the current period; therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	1,731,206	
Deferred Outflows - Pension	5,671,934	
Deferred Outflows - OPEB	874,710	
Net Pension Liability	(21,736,367)	
Net OPEB Liability	(1,826,458)	
Deferred Inflows - Pension	(1,863,322)	
Deferred Inflows - OPEB	(3,411,011)	
Total		(20,559,308)
In the Statement of Activities, interest is accrued on outstanding leases, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued Interest on Lease		(374)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Compensated Absences	(771,333)	
Vacation Leave Payable	(39,257)	
Leases	(60,560)	
Total		(871,150)
Net Position of Governmental Activities		($15,048,371)

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Intergovernmental	$555,201	$701,644	$1,256,845
Investment Earnings	64,068	0	64,068
Tuition and Fees	20,637,352	0	20,637,352
Gifts and Donations	24,420	0	24,420
Charges for Services	21,648	0	21,648
Miscellaneous	342,163	0	342,163
Total Revenues	21,644,852	701,644	22,346,496
Expenditures:			
Current:			
Instruction:			
Regular	824,631	0	824,631
Special	12,540,037	128,695	12,668,732
Support Services:			
Pupils	4,565,880	153,222	4,719,102
Instructional Staff	857,130	498,474	1,355,604
Board of Education	18,310	0	18,310
Administration	1,887,676	0	1,887,676
Fiscal	332,297	0	332,297
Operation and Maintenance of Plant	223,780	0	223,780
Pupil Transportation	13,343	0	13,343
Capital Outlay	68,272	0	68,272
Debt Service:			
Principal Retirement	13,659	0	13,659
Interest	3,304	0	3,304
Total Expenditures	21,348,319	780,391	22,128,710
Excess of Revenues Over (Under) Expenditures	296,533	(78,747)	217,786
Other Financing Sources:			
Inception of Lease	68,272	0	68,272
Proceeds from Sale of Capital Assets	265	0	265
Total Other Financing Sources	68,537	0	68,537
Net Change in Fund Balances	365,070	(78,747)	286,323
Fund Balances at Beginning of Year	4,886,834	35,527	4,922,361
Fund Balances (Deficit) at End of Year	$5,251,904	($43,220)	$5,208,684

See Accompanying Notes to the Basic Financial Statements

Net Change in Fund Balances - Total Governmental Funds		$286,323
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. In the current period, these amounts are:		
Capital Assets Additions	91,356	
Depreciation/Amortization Expense	(72,285)	
Excess of capital outlay expense over depreciation/amortization		19,071
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the statement of net position and offset against the proceeds from the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.		
Proceeds from Sale of Capital Assets	(265)	
Loss on Disposal of Capital Assets	(278)	
Total		(543)
Some capital assets were financed through leases. In governmental funds, a lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.		(68,272)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. These amounts consist of:		
Leases		13,659
Because some revenues will not be collected for several months after the Educational Service Center's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:		
Intergovernmental	46,273	
Investment Earnings	1,547	
Tuition and Fees	83,798	
Total		131,618
Accrued interest payable on the leases are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.		
Decrease in Accrued Interest Payable		(337)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension	1,968,954	
OPEB	90,625	
Total		2,059,579
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities		
Pension	(2,559,160)	
OPEB	326,096	
Total		($2,233,064)

(Continued)

Miami County Educational Service Center

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023
(Continued)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Vacation Leave Payable	($3,585)	
Decrease in Compensated Absences Payable	3,172	
Total		(413)
Change in Net Position of Governmental Activities		$207,621

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2023

	Western Ohio Service Collaborative Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	$385,488
Accounts Receivable	6,975
Total Assets	$392,463
Liabilities:	
Accounts Payable	$10,368
Net Position:	
Restricted for Individuals, Organizations and Other Governments	$382,095

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center

Statement of Changes in Fiduciary Net Position

Custodial Fund

For the Fiscal Year Ended June 30, 2023

	Western Ohio Service Collaborative Fund
Additions:	
Amounts Received as Fiscal Agent	$128,415
Deductions:	
Distributions as Fiscal Agent	187,640
Changes in Net Position	(59,225)
Net Position at Beginning of Year	441,320
Net Position at End of Year	$382,095

See Accompanying Notes to the Basic Financial Statements

NOTE 1 – DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Miami County Educational Service Center (the "Educational Service Center") is located in Troy, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Bethel, Miami East, and Newton Local School Districts, Piqua and Troy City School Districts, and Covington, Bradford, Milton Union, and Tipp City Exempted Village School Districts located in Miami County. The Educational Service Center also provides services to Vandalia-Butler City Schools and Northmont City Schools in Montgomery County. 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 Miami County Educational Service Center operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies. The Educational Service Center has 221 classified staff employees, 130 certified teaching personnel, and 18 administrative employees that provide services to the local, city, and exempted village school districts.

Reporting Entity:

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

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

The Educational Service Center participates in four jointly governed organizations, one insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
Metropolitan Educational Technology Association (META)
Southwestern Ohio Educational Purchasing Council
Upper Valley Career Center
Miami Valley Career Technology Center

Insurance Purchasing Pools:
Schools of Ohio Risk Sharing Authority, Inc.

Public Entity Shared Risk Pool:
Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Miami County 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 primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The Educational Service Center, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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. The 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 are divided into two categories: governmental and fiduciary.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Educational Service Center typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources 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 and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Educational Service Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

The nonmajor governmental funds of the Educational Service Center account for grants and other resources 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 the following four classifications: pension (and other employee benefit) 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 fund accounts for the collection of revenue from a collaborative of six Educational Service Centers to pay for professional development opportunities.

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 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.

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected 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 student fees, grants, and accrued 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 represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Educational Service Center, deferred inflows of resources include pension, OPEB plans and unavailable revenue. 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 revenue, investment earnings, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental

Activities found on page 13. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11.)

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 costs, 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. The Educational Service Center holds money for unclaimed monies. This balance is recorded as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2023, the Educational Service Center invested in commercial paper, a money market mutual fund, federal agency securities, negotiable certificates of deposit, and US treasury securities. Investments, except for commercial paper and money market mutual funds, are reported at fair value which is based on quoted market price. The Educational Service Center's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2023 amounted to $64,068, which includes $3,418 assigned from other Educational Service Center Funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, 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.

Capital Assets

All capital assets of the Educational Service Center are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets (except for intangible right-to-use lease assets which are discussed below) 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 $500.

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 capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	5-50 years
Furniture and Equipment	4-20 years
Intangible Right to Use Assets	5 years

The Educational Service Center is reporting intangible right to use assets related to leased equipment. The lease assets include equipment and represents nonfinancial assets which are being utilized for a period of time through leases from another entity. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

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

Vacation leave is accumulated by employees at the applicable vacation rate based on the employees' years of service. The Educational Service Center will record the liability "Accrued Vacation Leave Payable" for the balance at the end of the fiscal year. Educational Service Center employees cannot carry vacation leave balances over to the next calendar year.

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

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during 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. Leases that will be paid from governmental funds are recognized as a liability on the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

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

Leases

The Educational Service Center serves as lessee in a noncancellable lease which is accounted for as follows:

> Lessee At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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 Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Educational Service Center Board which include public school support and purchases on order at this time. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriate

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

The net investment in capital assets component of net position 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 the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted Net Position for OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows.

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 the 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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2023, the Educational Service Center implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations,* Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus* 2022.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Educational Service Center did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Educational Service Center did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Educational Service Center did not have any contracts that met the GASB 96 definition of a SBITA.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

NOTE 4 – ACCOUNTABILITY

At June 30, 2023, the Elementary and Secondary School Emergency Relief Fund had a deficit fund balance of $46,273. The deficit is the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 – STATE AND LOCAL SCHOOL DISTRICT FUNDING

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

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

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

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAROhio); and

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an account 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

As of June 30, 2023, the Educational Service Center had the following investments:

Measurment/Investment	Measurement Value	Investment Maturity (in Years)	Moody's Rating	Percent of Total Investments
Amortized Cost:				
Commercial Paper	$277,080	Less than one year	P-1	19%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	90,051	Less than one year	N/A	N/A
Fair Value - Level Two Inputs:				
Federal Farm Credit Bank Notes	206,680	Less than two years	Aaa	14%
Federal Home Loan Mortgage Association Notes	261,435	Less than three years	Aaa	18%
Negotiable Certificates of Deposit	366,913	Less than three years	N/A	25%
US Treasury Notes	254,675	Less than one year	Aaa	17%
Total Fair Value - Level Two Inputs	1,089,703			
Totals	$1,456,834			

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, 2023. The Money Market Mutual Fund is measured at quoted prices in active markets for identical assets (Level 1 inputs). The Educational Service Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk:

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

Credit Risk:

The Moody's ratings of the Educational Service Center's investments are listed in the table above. The Educational Service Center has no investment policy dealing with investment credit risk beyond the requirement in State statute.

Concentration of Credit Risk:

The Educational Service Center places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

NOTE 7 – RECEIVABLES

Receivables at June 30, 2023, consisted of accrued interest, accounts, intergovernmental and interfund. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Elementary and Secondary School Emergency Relief Fund	$115,367
Foundation Adjustment from Ohio Department of Education	442
Upper Valley Career Center	468
Northmont City School District	320
Tipp City Exempted Village School District	20,964
Troy City School District	400,000
Covington Exempted Village School District	8,206
Total Intergovernmental Receivables	$545,767

NOTE 8 – CAPITAL ASSETS

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

	Balance 6/30/22	Additions	Deductions	Balance 6/30/23
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	$119,608	$0	$0	$119,608
Capital Assets, Being Depreciated:				
Tangible Assets:				
Buildings and Improvements	1,171,991	0	0	1,171,991
Furniture and Equipment	607,815	23,084	(20,763)	610,136
Vehicles	5,500	0	0	5,500
Total Tangible Assets, Being Depreciated	1,785,306	23,084	(20,763)	1,787,627
Intangible Right to Use Lease Assets:				
Intangible Right To Use - Equipment	75,487	68,272	(75,487)	68,272
Total Intangible Right to Use Assets	75,487	68,272	(75,487)	68,272
Total Depreciable Capital Assets	1,860,793	91,356	(96,250)	1,855,899
Less Accumulated Depreciation/Amortization:				
Depreciation:				
Buildings and Improvements	(371,666)	(23,406)	0	(395,072)
Furniture and Equipment	(512,702)	(36,569)	20,220	(529,051)
Vehicles	(229)	(688)	0	(917)
Total Depreciation	($884,597)	($60,663)	$20,220	($925,040)

(Continued)

	Balance 6/30/22	Additions	Deductions	Balance 6/30/23
Governmental Activities:				
Amortization:				
Intangible Right To Use - Equipment	($72,969)	($11,622)	$75,487	($9,104)
Total Accumulated Depreciation/Amortization	(957,566)	(72,285) *	95,707	(934,144)
Capital Assets, Being Depreciated, Net	903,227	19,071	(543)	921,755
Governmental Activities Capital Assets, Net	$1,022,835	$19,071	($543)	$1,041,363

*Depreciation expense was charged to governmental functions as follows:

	Depreciation	Amortization	Total
Instruction:			
Regular	$707	$0	$707
Special	10,408	6,973	17,381
Support Services:			
Pupils	835	3,255	4,090
Instructional Staff	4,000	813	4,813
Administration	44,042	581	44,623
Fiscal	671	0	671
Total Depreciation/Amortization Expense	$60,663	$11,622	$72,285

NOTE 9 – RISK MANAGEMENT

Property and Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Educational Service Center has joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), an insurance purchasing pool (See Note 15). Each individual participant enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the SORSA. The Educational Service Center contracts for property, fleet, cybersecurity, and liability insurance with SORSA.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the last fiscal year.

Workers' Compensation

The Educational Service Center continues to benefit by participating in a Workers' Compensation Group Retrospective Rating Program (GRRP) to achieve maximum savings and program management. During fiscal year 2023, the Educational Service Center switched, at the administrator level, from the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group rating Plan to Northeast Ohio Safety Council Group. The Northeast Ohio Safety Council has a greater focus on promoting safety and preventative measures to reduce work related injuries.

The Program (GRRP) is a BWC approved workers' compensation insurance premium rating pool for public school districts. Each year, the participating school districts pay an enrollment fee to the GRRP administrator to cover the costs of managing the program.

The intent of the GRRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in GRRP. Employers continue to pay their own individual experience- or base-rated premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending on that performance, the participating employers can receive either a premium refund adjustment or assessment. The BWC will recalculate the group-retrospective premium 12 months after the end of the first policy year and then again 24 and 36 months later to issue refunds or assessments. This plan provides incentives to the group retro members who practice effective workplace safety and claims management to control and reduce losses.

The firm of Minute Men HR Management Services, Inc provides administrative, cost control and actuarial services to the members of the GRRP.

Medical Benefits

For fiscal year 2023, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (See Note 15). The Educational Service Center pays monthly premiums to the Trust for employee medical insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

Net Pension/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 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 the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $660,149 for fiscal year 2023. Of this amount, $72,756 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent 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, an 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. 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 35 years of service credit and at least age 60.

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contribution to STRS was $1,308,805 for fiscal year 2023. Of this amount, $146,180 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, 2022, 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	0.127080500%	0.066859110%	
Prior Measurement Date	0.122496300%	0.064591885%	
Change in Proportionate Share	0.004584200%	0.002267225%	
Proportionate Share of the Net Pension Liability	$6,873,502	$14,862,865	$21,736,367
Pension Expense	$576,849	$1,982,311	$2,559,160

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$278,382	$190,264	$468,646
Changes of assumptions	67,822	1,778,639	1,846,461
Net difference between projected and actual earnings on pension plan investments	0	517,195	517,195
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	229,375	641,303	870,678
Educational Service Center contributions subsequent to the measurement date	660,149	1,308,805	1,968,954
Total Deferred Outflows of Resources	$1,235,728	$4,436,206	$5,671,934
Deferred Inflows of Resources:			
Differences between expected and actual experience	$45,123	$56,855	$101,978
Changes of assumptions	0	1,338,803	1,338,803
Net difference between projected and actual earnings on pension plan investments	239,853	0	239,853
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	0	182,688	182,688
Total Deferred Inflows of Resources	$284,976	$1,578,346	$1,863,322

$1,968,954 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	$166,392	$298,587	$464,979
2025	68,250	111,778	180,028
2026	(342,637)	(368,647)	(711,284)
2027	398,598	1,507,337	1,905,935
Total	$290,603	$1,549,055	$1,839,658

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
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.

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

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	$10,117,467	$6,873,502	$4,140,506

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
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)	0.0 percent, effective July 1, 2017

For 2022, 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.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, 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:

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00%	

* Target allocation percentage is effective July 1, 2022.
Target weights were phased in over a 3 month period concluding on October 1, 2022
** 10 year annualized geometric nominal returns, which inclu 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 allocatio 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, 2022. 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, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	$22,452,377	$14,862,865	$8,444,486

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, 2023, three member of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 – DEFINED BENEFIT OPEB PLANS

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

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description - The Educational Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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 2023, 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 2023, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2023, the Educational Service Center's surcharge obligation was $90,625.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was $90,625 for fiscal year 2023, all of which is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System of Ohio (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net OPEB liability (asset) was based on the Educational Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net			
OPEB Liability/Asset:			
Current Measurement Date	0.130088600%	0.066859110%	
Prior Measurement Date	0.126220700%	0.064591885%	
Change in Proportionate Share	0.003867900%	0.002267225%	
Proportionate Share of the:			
Net OPEB (Asset)	$0	($1,731,206)	($1,731,206)
Net OPEB Liability	$1,826,458	$0	$1,826,458
OPEB Expense	($14,348)	($311,748)	($326,096)

At June 30, 2023, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$15,354	$25,096	$40,450
Changes of assumptions	290,522	73,744	364,266
Net difference between projected and actual earnings on pension plan investments	9,493	30,136	39,629
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	328,939	10,801	339,740
Educational Service Center contributions subsequent to the measurement date	90,625	0	90,625
Total Deferred Outflows of Resources	$734,933	$139,777	$874,710
Deferred Inflows of Resources:			
Differences between expected and actual experience	$1,168,337	$259,994	$1,428,331
Changes of assumptions	749,774	1,227,591	1,977,365
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	0	5,315	5,315
Total Deferred Intflows of Resources	$1,918,111	$1,492,900	$3,411,011

$90,625 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	($256,921)	($396,839)	($653,760)
2025	(273,227)	(389,682)	(662,909)
2026	(260,463)	(182,725)	(443,188)
2027	(171,098)	(76,928)	(248,026)
2028	(118,560)	(101,526)	(220,086)
Thereafter	(193,534)	(205,423)	(398,957)
Total	($1,273,803)	($1,353,123)	($2,626,926)

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 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.

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021, total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022, and 1.92 percent at June 30, 2021.

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 (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1 % Increase (5.08%)
Educational Service Center's proportionate share of the net OPEB liability	$2,268,488	$1,826,458	$1,469,619

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
Educational Service Center's proportionate share of the net OPEB liability	$1,408,526	$1,826,458	$2,372,343

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 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 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent

	June 30, 2022	June 30, 2021
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial	5.00 percent initial
	3.94 percent ultimate	4 percent ultimate
Medicare	-68.78 percent initial	-16.18 percent initial
	3.94 percent ultimate	4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial	6.50 percent initial
	3.94 percent ultimate	4 percent ultimate
Medicare	-5.47 percent initial	29.98 percent initial
	3.94 percent ultimate	4 percent ultimate

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

For 2022, 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.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, 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.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed 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, 2022. 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, 2022.

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, 2022, 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	($1,600,453)	($1,731,206)	($1,843,205)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	($1,795,681)	($1,731,206)	($1,649,820)

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All 12 month employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to all staff who have any accumulated vacation upon termination of employment. Teachers do not earn vacation time.

All regular, full-time employees earn three days of personal leave per fiscal year. Any personal leave not used by fiscal year-end will be converted to sick leave.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, employees with ten or more years of current service with the public schools of Ohio or five years as retired/rehired with the Educational Service Center receive payment for one-fourth of accrued but unused sick leave credit to a maximum of 75 days.

Insurance Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to employees through Securian Life Insurance Company of America. Dental insurance is provided through Delta Dental. Vision benefits are provided by Vision Service Plan.

Deferred Compensation Plan

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 13 – LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/22	Additions	Deletions	Amount Outstanding 6/30/23	Due in One Year
Governmental Activities:					
Net Pension Liability:					
SERS	$4,519,758	$2,353,744	$0	$6,873,502	$0
STRS	8,258,653	6,604,212	0	14,862,865	0
Total Net Pension Liability	12,778,411	8,957,956	0	21,736,367	0
Net OPEB Liability:					
SERS	2,388,830	0	562,372	1,826,458	0
Compensated Absences	774,505	14,224	17,396	771,333	8,484
Leases	5,947	68,272	13,659	60,560	12,304
Total Governmental Activities Long-Term Obligations	$15,947,693	$9,040,452	$593,427	$24,394,718	$20,788

The Educational Service Center has outstanding agreement to lease copiers. The future lease payments were discounted based on the interest rate implicit in the lease or using the Educational Service Center 's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2024	$12,304	$6,598
2025	13,249	5,071
2026	14,267	3,426
2027	15,362	1,655
2028	5,378	135
Total	60,560	16,885

Compensated absences and leases will be paid from the General Fund. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the General Fund, Elementary and Secondary School Emergency Relief Fund, and Governor's Emergency Education Relief Fund. For additional information related to the net pension/OPEB liabilities see Notes 10 and 11.

NOTE 14 – INTERFUND ACTIVITY

The General Fund advanced $69,094 to nonmajor governmental funds to cover negative cash balances. 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 those restricted monies to reimburse the General Fund for the initial advance.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL

Jointly Governed Organizations

Metropolitan Educational Technology Association – 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 School District's degree of control is limited to its representation on the Board. The Educational Service Center paid META $6,811 for services provided during the fiscal year. Financial information can be obtained from META Solutions at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council – The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 130 school districts and educational service centers in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Payments to SOEPC are made from the General Fund. During fiscal year 2023, the Educational Service Center contributed $1,302 to SOEPC. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Upper Valley Career Center – The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts and/or educational service center: Piqua, Sidney, Troy and Midwest Regional Educational Service Center. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. During fiscal year 2023, the Educational Service Center did not contribute any money to the Upper Valley Career Center. Financial information can be obtained from the Upper Valley Career Center at 8811 Career Drive, Piqua, Ohio 45356-9254.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the 11 participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following school districts: Carlisle, Eaton, Huber Heights, Miamisburg, Milton-Union, Northmont, Tipp City, Trotwood-Madison, Vandalia-Butler, Versailles, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one member is appointed from the following educational service centers: Miami County, Darke County, and Preble County. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. During fiscal year 2023, the Educational Service Center did not contribute any money to the Miami Valley Career Technology Center. Financial information can be obtained from the Miami Valley Career Technology Center at 6800 Hoke Road, Clayton, Ohio 45315.

Insurance Purchasing Pools

Schools of Ohio Risk Sharing Authority, Inc. – The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to the Educational Service Center's property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 N. High St., Suite 160, Columbus, Ohio, 43235.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 16 – FUND BALANCES

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

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid Items	$42,389	$0	$42,389
Unclaimed Monies	60	0	60
Total Nonspendable	42,449	0	42,449
Restricted for:			
Student Activities	0	3,053	3,053
Committed to:			
Capital Improvements	151,740	0	151,740
Board Approved Purchases	14,100	0	14,100
Total Committed	165,840	0	165,840
Assigned to:			
Public School Support	5,666	0	5,666
Purchases on Order	8,218	0	8,218
Total Assigned	13,884	0	13,884
Unassigned (Deficit)	5,029,731	(46,273)	4,983,458
Total Fund Balances (Deficit)	$5,251,904	($43,220)	$5,208,684

NOTE 17 – SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances 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 is $105,219 in the General Fund and $275 in nonmajor funds.

NOTE 18 – 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2023.

School Foundation

Educational Service Center foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2023 were finalized. As a result the Educational Service Center had an additional receivable of $442. The Educational Service Center has not received the final adjustments from ODE, which may result in additional receivables or payables.

Litigation

The Educational Service Center is not party to any legal proceedings.

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the Educational Service Center received COVID-19 funding. The Educational Service Center will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Required Supplemental Information

Miami County Educational Service Center

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2023	2022	2021	2020
Educational Service Center's Proportion of the Net Pension Liability	0.12708050%	0.12249630%	0.11939690%	0.11520960%
Educational Service Center's Proportionate Share of the Net Pension Liability	$6,873,502	$4,519,758	$7,897,163	$6,893,192
Educational Service Center's Covered Payroll	$4,922,593	$4,236,429	$4,184,093	$3,998,741
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.63%	106.69%	188.74%	172.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.10975090%	0.10077540%	0.10211140%	0.09906850%	0.10964500%	0.10964500%
$6,285,639	$6,021,107	$7,473,611	$5,652,943	$5,549,071	$6,520,236
$3,624,163	$3,700,400	$2,731,136	$3,022,764	$3,223,992	$2,970,878
173.44%	162.72%	273.64%	187.01%	172.12%	219.47%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

Miami County Educational Service Center

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Seven Fiscal Years (1)

	2023	2022	2021	2020
Educational Service Center's Proportion of the Net OPEB Liability	0.13008860%	0.12622070%	0.12200430%	0.11772240%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$1,826,458	$2,388,830	$2,651,552	$2,960,472
Educational Service Center's Covered Payroll	$4,922,593	$4,236,429	$4,184,093	$3,998,741
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.10%	56.39%	63.37%	74.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.11033840%	0.10193340%	0.10271900%
$3,061,086	$2,735,624	$2,927,871
$3,624,163	$3,700,400	$2,731,136
84.46%	73.93%	107.20%
13.57%	12.46%	11.49%

Miami County Educational Service Center
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2023	2022	2021	2020
Educational Service Center's Proportion of the Net Pension Liability	0.066859110%	0.064591885%	0.065759700%	0.062628320%
Educational Service Center's Proportionate Share of the Net Pension Liability	$14,862,865	$8,258,653	$15,911,506	$13,849,876
Educational Service Center's Covered Payroll	$8,815,829	$7,964,707	$8,012,857	$7,430,229
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.59%	103.69%	198.57%	186.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.059891450%	0.060054120%	0.060199930%	0.060592550%	0.059355530%	0.059355530%
$13,168,785	$14,265,985	$20,150,731	$16,746,008	$14,437,319	$17,197,640
$6,905,836	$5,901,493	$6,771,879	$6,350,671	$6,079,369	$5,866,146
190.69%	241.74%	297.56%	263.69%	237.48%	293.17%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

Miami County Educational Service Center

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Seven Fiscal Years (1)

	2023	2022	2021	2020
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.066859110%	0.064591885%	0.065759700%	0.062628320%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	($1,731,206)	($1,361,867)	($1,155,725)	($1,037,276)
Educational Service Center's Covered Payroll	$8,815,829	$7,964,707	$8,012,857	$7,430,229
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-19.64%	-17.10%	-14.42%	-13.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	230.70%	174.70%	182.10%	174.70%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.059891450%	0.060054120%	0.060199930%
($962,395)	$2,343,090	$3,219,508
$6,905,836	$5,901,493	$6,771,879
-13.94%	39.70%	47.54%
176.00%	47.10%	37.30%

Miami County Educational Service Center

Required Supplementary Information

Schedule of the Educational Service Center's Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Net Pension Liability					
Contractually Required Contribution	$660,149	$689,163	$593,100	$585,773	$539,830
Contributions in Relation to the Contractually Required Contribution	(660,149)	(689,163)	(593,100)	(585,773)	(539,830)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Educational Service Center Covered Payroll (1)	$4,715,350	$4,922,593	$4,236,429	$4,184,093	$3,998,741
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.50%
Net OPEB Liability					
Contractually Required Contribution (2)	90,625	85,710	80,675	69,422	80,847
Contributions in Relation to the Contractually Required Contribution	(90,625)	(85,710)	(80,675)	(69,422)	(80,847)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.92%	1.74%	1.90%	1.66%	2.02%
Total Contributions as a Percentage of Covered Payroll (2)	15.92%	15.74%	15.90%	15.66%	15.52%

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
$489,262	$518,056	$382,359	$398,400	$446,845
(489,262)	(518,056)	(382,359)	(398,400)	(446,845)
$0	$0	$0	$0	$0
$3,624,163	$3,700,400	$2,731,136	$3,022,764	$3,223,992
13.50%	14.00%	14.00%	13.18%	13.86%
73,272	54,028	48,717	73,471	57,275
(73,272)	(54,028)	(48,717)	(73,471)	(57,275)
$0	$0	$0	$0	$0
2.02%	1.46%	1.78%	2.43%	1.78%
15.52%	15.46%	15.78%	15.61%	15.64%

Miami County Educational Service Center

Required Supplementary Information

Schedule of the Educational Service Center's Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Net Pension Liability					
Contractually Required Contribution	$1,308,805	$1,234,216	$1,115,059	$1,121,800	$1,040,232
Contributions in Relation to the Contractually Required Contribution	(1,308,805)	(1,234,216)	(1,115,059)	(1,121,800)	(1,040,232)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Educational Service Center Covered Payroll	$9,348,607	$8,815,829	$7,964,707	$8,012,857	$7,430,229
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability					
Contractually Required Contribution	$0	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
$966,817	$826,209	$948,063	$889,094	$790,318
(966,817)	(826,209)	(948,063)	(889,094)	(790,318)
$0	$0	$0	$0	$0
$6,905,836	$5,901,493	$6,771,879	$6,350,671	$6,079,369
14.00%	14.00%	14.00%	14.00%	13.00%
$0	$0	$0	$0	$60,794
0	0	0	0	(60,794)
$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	0.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%

NET PENSION LIABILITY

Changes in Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

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

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

Amounts reported for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2022, 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.

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

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

Changes in Benefit Term – STRS Pension

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

NET OPEB LIABILITY

Changes in Assumptions – SERS

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

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:	
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

Changes in Benefit Terms – STRS OPEB

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

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

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

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

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

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

Miami County Educational Service Center

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

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	$0	$0	$554,759	$554,759
Investment Earnings	0	0	62,067	62,067
Tuition and Fees	0	0	20,211,852	20,211,852
Gifts and Donations	0	0	24,420	24,420
Charges for Services	0	0	21,648	21,648
Miscellaneous	0	0	342,163	342,163
Total Revenues	0	0	21,216,909	21,216,909
Expenditures:				
Current:				
Instruction:				
Regular	571,362	882,731	829,635	53,096
Special	9,836,851	14,881,082	12,564,915	2,316,167
Support Services:				
Pupils	2,983,469	5,382,239	4,670,068	712,171
Instructional Staff	564,538	1,031,506	845,428	186,078
Board of Education	17,804	27,060	18,931	8,129
Administration	1,390,991	2,355,374	1,920,024	435,350
Fiscal	241,429	389,665	336,029	53,636
Operation and Maintenance of Plant	132,267	218,952	161,489	57,463
Pupil Transportation	20,240	26,891	13,017	13,874
Central	750	1,000	0	1,000
Capital Outlay	71,367	90,000	68,055	21,945
Total Expenditures	15,831,068	25,286,500	21,427,591	3,858,909
Excess of Revenues Under Expenditures	(15,831,068)	(25,286,500)	(210,682)	25,075,818
Other Financing Sources:				
Proceeds from Sale of Capital Assets	0	0	265	265
Net Change in Fund Balance			(210,417)	
Fund Balance at Beginning of Year			7,025,827	
Prior Year Encumbrances Appropriated			66,414	
Fund Balance at End of Year			$6,881,824	

See Accompanying Notes to the Supplemental Information

NOTE 1 - BUDGETARY PROCESS

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

The Educational Service Center is not required under State statute to have a certificate of estimated resources. Therefore the Educational Service Center's Board does not approve estimated revenues. However, the Treasurer does estimate and track the estimated revenues for the Educational Service Center. Because the Educational Service Center's Board does not approve estimated resources, the budgetary schedule does not reflect original or final estimated revenues.

The Educational Service Center's Board adopts an annual appropriations resolution, which is the Board's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund/function level for the General Fund and at the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within 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 schedules reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from the prior fiscal year. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the Board during 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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 (non-GAAP basis) and actual is presented for the General Fund 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 as follows:

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 restricted, committed, or assigned of fund balance (GAAP basis).

4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	General Fund
GAAP Basis	$365,070
Revenue Accruals	(494,899)
Expenditure Accruals	25,947
Encumbrances	(105,219)
Change in Fair Value of Investments Fiscal Year 2023	23,467
Change in Fair Value of Investments Fiscal Year 2022	(24,783)
Budget Basis	($210,417)

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The discussion and analysis of the Miami County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- Charges for Services revenue increased due to an increase in the needs for special education students. Due this increase in needs of the students, the Educational Service Center has experienced an increase in staffing and related expenditures.

- Net Pension liability decreased and total expenses decreased due to changes in assumptions offset by changes in new investment income.

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 Miami County 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 most significant funds with all other nonmajor funds presented in total in one column.

Reporting the Educational Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The statement of net position and the statement of activities 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 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. This 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, and some not.

In the statement of net position and the statement of activities, the Educational Service Center only reports governmental activities. Governmental activities are the activities where all of the Educational Service Center's programs and services are reported including, but not limited to, instruction, support services and operation and maintenance of plant.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 87. 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. The Educational Service Center's only major governmental fund is the General Fund.

Governmental Funds

All of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The Educational Service Center's fiduciary fund consists of a custodial fund. Custodial fund reporting focuses on net position and changes in net position. Fiduciary funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Recall that the statement of net position provides the perspective of the Educational Service Center as a whole.

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2022 compared to fiscal year 2021.

Table 1
Net Position

	2022	2021	Change
Assets:			
Current and Other Assets	$7,172,744	$6,965,798	$206,946
Net OPEB Aset	1,361,867	1,155,725	206,142
Capital Assets, Net	1,022,835	1,035,308	(12,473)
Total Assets	9,557,446	9,156,831	400,615
Deferred Outflows of Resources:			
Pension	5,307,035	4,889,120	417,915
OPEB	992,633	1,092,042	(99,409)
Total Deferred Outflows of Resources	6,299,668	5,981,162	318,506
Liabilities:			
Other Liabilities	2,285,296	1,841,711	443,585
Long-Term Liabilities:			
Due Within One Year	27,323	73,193	(45,870)
Net Pension Liability	12,778,411	23,808,669	(11,030,258)
Net OPEB Liability	2,388,830	2,651,552	(262,722)
Other Liabilities	753,129	654,597	98,532
Total Liabilities	18,232,989	29,029,722	(10,796,733)
Deferred Inflows of Resources:			
Pension	9,866,173	148,222	9,717,951
OPEB	3,013,944	2,750,442	263,502
Total Deferred Inflows of Resources	12,880,117	2,898,664	9,981,453
Net Position:			
Net Investment in Capital Assets	1,016,888	1,012,376	4,512
Restricted	36,802	37,679	(877)
Unrestricted (Deficit)	(16,309,682)	(17,840,448)	1,530,766
Total Net Position (Deficit)	($15,255,992)	($16,790,393)	$1,534,401

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Educational Service Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Current and other assets increased $206,946 due to an increase in cash and cash equivalents and intergovernmental receivables. The increase in cash and cash equivalents is due to school districts paying the Educational Service Center for the additional service provided prior to fiscal year-end. Intergovernmental receivables increased due to the ESSER and GEER grant funds having a larger receivable than the prior year. Net OPEB asset increased $206,142 due to a higher rate of return on investment.

Total Liabilities of the Educational Service Center decreased $10,796,733 from the prior fiscal year. The largest decrease occurred from the long-term Net Pension Liability due to changes in assumptions offset by changes in net investment income. Deferred inflows of resources increased mainly due to the difference between projected and actual earnings on pension plan investments.

Total net position increased $1,534,401 mainly due to the changes to the State-wide pension systems' assumptions and benefit terms.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2022 and 2021.

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

Table 2
Changes in Net Position

	2022	2021	Change
Revenues:			
Program Revenues:			
Charges for Services	$19,438,763	$17,634,489	$1,804,274
Operating Grants and Contributions	545,920	545,937	(17)
Total Program Revenues	19,984,683	18,180,426	1,804,257
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	438,685	406,214	32,471
Investment Earnings	(30,725)	8,460	(39,185)
Gifts and Donations	4,745	500	4,245
Miscellaneous	281,161	872,574	(591,413)
Total General Revenues	693,866	1,287,748	(593,882)
Total Revenues	20,678,549	19,468,174	1,210,375
Program Expenses:			
Instruction:			
Regular	665,486	116,412	549,074
Special	11,402,648	12,232,681	(830,033)
Support Services:			
Pupils	4,168,605	4,681,277	(512,672)
Instructional Staff	745,097	660,921	84,176
Board of Education	19,704	18,110	1,594
Administration	1,673,572	1,865,701	(192,129)
Fiscal	307,086	360,717	(53,631)
Business	19	0	19
Operation and Maintenance of Plant	157,672	186,266	(28,594)
Pupil Transportation	3,232	866	2,366
Central	0	67	(67)
Interest and Fiscal Charges	1,027	2,246	(1,219)
Total Expenses	19,144,148	20,125,264	(981,116)
Change in Net Position	1,534,401	(657,090)	2,191,491
Net Position (Deficit) at Beginning of Year	(16,790,393)	(16,133,303)	(657,090)
Net Position (Deficit) at End of Year	($15,255,992)	($16,790,393)	$1,534,401

Governmental Activities

In total, revenues increased $1,210,375 due to increases in charges for services due to the Educational Service center providing additional services. The decrease in miscellaneous revenue was due to the Educational Service Center receiving a smaller Ohio Bureau of Workers' Compensation rebate compared to the prior fiscal year.

Expenses decreased $981,116 from the previous year due to the State-wide pension plans' changes in assumptions and benefits.

The Educational Service Center's Funds

Information about the Educational Service Center's major fund starts on page 90. The Educational Service Center's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $20,682,699 and expenditures of $20,879,621. The net change in fund balance for the fiscal year in the General Fund was a decrease of $216,842. This decrease is due to the increase in accrued wages and intergovernmental liabilities related to the increase in staffing.

Capital Assets

At the end of fiscal year 2022, the Educational Service Center had $1,022,835 invested in land, buildings and improvements, furniture, equipment and vehicles, net of depreciation.

For more information on capital assets, refer to Note 7 of the basic financial statements.

Debt Administration

At June 30, 2022, the Educational Service Center had $5,947 in total outstanding debt consisting of leases. Refer to Note 12 of the basic financial statements for additional information.

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 questions about this report or need additional financial information, contact Cindy Hale, Treasurer, at Miami County Educational Service Center, 2000 West Stanfield Rd, Troy, Ohio, 45373-2987 or email at Cindy.Hale@miami.k12.oh.us.

Miami County Educational Service Center
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$7,011,973
Accrued Interest Receivable	922
Accounts Receivable	2,829
Intergovernmental Receivable	101,569
Prepaid Items	55,451
Net OPEB Asset	1,361,867
Nondepreciable Capital Assets	119,608
Depreciable Capital Assets, Net	903,227
Total Assets	9,557,446
Deferred Outflows of Resources:	
Pension	5,307,035
OPEB	992,633
Total Deferred Outflows of Resources	6,299,668
Liabilities:	
Accounts Payable	53,132
Accrued Wages and Benefits Payable	1,856,902
Accrued Interest Payable	37
Accrued Vacation Leave Payable	35,672
Intergovernmental Payable	339,553
Long-Term Liabilities:	
Due Within One Year	27,323
Due in More Than One Year:	
Net Pension Liability	12,778,411
Net OPEB Liability	2,388,830
Other Amounts	753,129
Total Liabilities	18,232,989
Deferred Inflows of Resources:	
Pension	9,866,173
OPEB	3,013,944
Total Deferred Inflows of Resources	12,880,117
Net Position:	
Net Investment in Capital Assets	1,016,888
Restricted for:	
Student Activities	3,053
Local Grants	31,249
State & Federal Grants	2,500
Unrestricted (Deficit)	(16,309,682)
Total Net Position (Deficit)	($15,255,992)

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$665,486	$695,326	$1,689	$31,529
Special	11,402,648	11,583,530	261,243	442,125
Support Services:				
Pupils	4,168,605	4,286,965	62,544	180,904
Instructional Staff	745,097	641,890	188,978	85,771
Board of Education	19,704	18,636	0	(1,068)
Administration	1,673,572	1,727,163	20,793	74,384
Fiscal	307,086	328,569	0	21,483
Business	19	0	0	(19)
Operation and Maintenance of Plant	157,672	150,163	10,673	3,164
Pupil Transportation	3,232	6,521	0	3,289
Central	0	0	0	0
Interest and Fiscal Charges	1,027	0	0	(1,027)
Total Governmental Activities	$19,144,148	$19,438,763	$545,920	840,535

General Revenues:	
Grants and Entitlements not Restricted to Specific Programs	438,685
Investment Earnings	(30,725)
Gifts and Donations	4,745
Miscellaneous	281,161
Total General Revenues	693,866
Change in Net Position	1,534,401
Net Position (Deficit) at Beginning of Year	(16,790,393)
Net Position (Deficit) at End of Year	($15,255,992)

See Accompanying Notes to the Basic Financial Statements

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$6,978,645	$33,027	$7,011,672
Accrued Interest Receivable	922	0	922
Accounts Receivable	2,829	0	2,829
Intergovernmental Receivable	3,391	98,178	101,569
Interfund Receivable	88,512	0	88,512
Prepaid Items	52,951	2,500	55,451
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	301	0	301
Total Assets	$7,127,551	$133,705	$7,261,256
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	$43,466	$9,666	$53,132
Accrued Wages and Benefits Payable	1,856,902	0	1,856,902
Interfund Payable	0	88,512	88,512
Intergovernmental Payable	339,553	0	339,553
Total Liabilities	2,239,921	98,178	2,338,099
Deferrred Inflows of Resources:			
Unavailable Revenue	796	0	796
Fund Balances:			
Nonspendable	53,252	2,500	55,752
Restricted	1,275	33,027	34,302
Committed	217,861	0	217,861
Assigned	27,185	0	27,185
Unassigned	4,587,261	0	4,587,261
Total Fund Balances	4,886,834	35,527	4,922,361
Total Liabilities, Deferred Inflows and Fund Balances	$7,127,551	$133,705	$7,261,256

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2022

Total Governmental Fund Balances		$4,922,361
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.		1,022,835
Some of the Educational Service Center's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
Investment Earnings		796
The net Pension and net OPEB liabilities (asset) are not due and payable in the current period; therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	1,361,867	
Deferred Outflows - Pension	5,307,035	
Deferred Outflows - OPEB	992,633	
Net Pension Liability	(12,778,411)	
Net OPEB Liability	(2,388,830)	
Deferred Inflows - Pension	(9,866,173)	
Deferred Inflows - OPEB	(3,013,944)	
Total		(20,385,823)
In the Statement of Activities, interest is accrued on outstanding leases, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued Interest on Capital Lease		(37)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Compensated Absences	(774,505)	
Vacation Leave Payable	(35,672)	
Leases	(5,947)	
Total		(816,124)
Net Position of Governmental Activities		($15,255,992)

See Accompanying Notes to the Basic Financial Statements

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Intergovernmental	$541,976	$423,554	$965,530
Investment Earnings	(28,576)	0	(28,576)
Tuition and Fees	19,418,288	0	19,418,288
Gifts and Donations	25,821	0	25,821
Charges for Services	20,475	0	20,475
Miscellaneous	281,161	0	281,161
Total Revenues	20,259,145	423,554	20,682,699
Expenditures:			
Current:			
Instruction:			
Regular	736,437	0	736,437
Special	12,212,425	143,375	12,355,800
Support Services:			
Pupils	4,496,136	59,126	4,555,262
Instructional Staff	682,941	187,960	870,901
Board of Education	19,704	0	19,704
Administration	1,793,942	2,500	1,796,442
Fiscal	343,485	0	343,485
Business	19	0	19
Operation and Maintenance of Plant	159,336	10,673	170,009
Pupil Transportation	6,895	0	6,895
Capital Outlay	6,550	0	6,550
Debt Service:			
Principal Retirement	16,985	0	16,985
Interest and Fiscal Charges	1,132	0	1,132
Total Expenditures	20,475,987	403,634	20,879,621
Net Change in Fund Balances	(216,842)	19,920	(196,922)
Fund Balances at Beginning of Year	5,103,676	15,607	5,119,283
Fund Balances at End of Year	$4,886,834	$35,527	$4,922,361

See Accompanying Notes to the Basic Financial Statements

Net Change in Fund Balances - Total Governmental Funds		($196,922)
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. In the current period, these amounts are:		
Capital Assets Additions	64,144	
Depreciation Expense	(69,250)	
Excess of depreciation expense over capital outlay		(5,106)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the statement of net position and offset against the proceeds from the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.		
Loss on Disposal of Capital Assets		(7,367)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. These amounts consist of:		
Leases		16,985
Because some revenues will not be collected for several months after the Educational Service Center's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:		
Intergovernmental	(2,001)	
Investment Earnings	(2,149)	
Total		(4,150)
Accrued interest payable on the leases are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.		
Decrease in Accrued Interest Payable		105
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension	(193,157)	
OPEB	20,243	
Total		(172,914)
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.		
Pension	1,923,379	
OPEB	85,710	
Total		2,009,089
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Vacation Leave Payable	(35,672)	
Increase in Compensated Absences Payable	(69,647)	
Total		(105,319)
Change in Net Position of Governmental Activities		$1,534,401

See Accompanying Notes to the Basic Financial Statements

Miami County Educational Service Center
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2022

	Western Ohio Service Collaborative Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	$446,787
Accounts Receivable	7,783
Total Assets	$454,570
Liabilities:	
Accounts Payable	$13,250
Net Position:	
Restricted for Individuals, Organizations and Other Governments	$441,320

See Accompanying Notes to the Basic Financial Statements

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

	Western Ohio Service Collaborative Fund
Additions:	
Amounts Received as Fiscal Agent	$325,639
Deductions:	
Distributions as Fiscal Agent	212,615
Changes in Net Position	113,024
Net Position at Beginning of Year	328,296
Net Position at End of Year	$441,320

See Accompanying Notes to the Basic Financial Statements

NOTE 1 – DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Miami County Educational Service Center (the "Educational Service Center") is located in Troy, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Bethel, Miami East, and Newton Local School Districts, Piqua and Troy City School Districts, and Covington, Bradford, Milton Union, and Tipp City Exempted Village School Districts located in Miami County. The Educational Service Center also provides services to Vandalia-Butler City Schools and Northmont City Schools in Montgomery County. 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 Miami County Educational Service Center operates under a locally-elected five member Board form of government and provides educational services as mandated by State and/or federal agencies. The Educational Service Center has 227 classified staff employees, 128 certified teaching personnel, and 18 administrative employees that provide services to the local, city, and exempted village school districts.

Reporting Entity:

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

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

The Educational Service Center participates in four jointly governed organizations, one insurance purchasing pools, and one public entity shared risk pool. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
Metropolitan Educational Technology Association (META)
Southwestern Ohio Educational Purchasing Council
Upper Valley Career Center
Miami Valley Career Technology Center

Insurance Purchasing Pools:
Schools of Ohio Risk Sharing Authority, Inc.

Public Entity Shared Risk Pool:
Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Miami County 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 primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The Educational Service Center, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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. The 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 are divided into two categories: governmental and fiduciary.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Educational Service Center typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources 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 and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Educational Service Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

The nonmajor governmental funds of the Educational Service Center account for grants and other resources 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 the following four classifications: pension (and other employee benefit) 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 fund accounts for the collection of revenue from a collaborative of six Educational Service Centers to pay for professional development opportunities.

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 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.

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected 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 student fees, grants, and accrued 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 represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the 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 assets that applies to a future period and will not be recognized until that time. For the Educational Service Center, deferred inflows of resources include pension, OPEB plans and unavailable revenue. 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 investment earnings. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 91. 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.)

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 costs, 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. The Educational Service Center holds money for unclaimed monies. This balance is recorded as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2022, the Educational Service Center invested in commercial paper, a money market mutual fund, federal agency securities, negotiable certificates of deposit, and US treasury securities. Investments, except for commercial paper and money market mutual funds, are reported at fair value which is based on quoted market price. The Educational Service Center's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

Following Ohio Statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to ($28,576), which includes ($1,838) assigned from other Educational Service Center Funds.

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Capital Assets

All capital assets of the Educational Service Center are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets (except for intangible right-to-use lease assets which are discussed below) 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 $500.

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 capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	5-50 years
Furniture and Equipment	4-20 years

The School District is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

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

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/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. Leases are recognized as a liability on the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

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

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 Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Educational Service Center Board which include public school support and purchases on order at this time. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriate

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

The net investment in capital assets component of net position 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 the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Estimates

The preparation of the 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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

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

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. There was no effect on the beginning net position/fund balance.

The Educational Service Center is also implementing *Implementation Guide No. 2020-1*, and GASB Statement No. 92 -*Omnibus 2020*. These changes were incorporated in the Educational Service Centers' 2022 financial statements; however, there were no effect on the beginning net position/fund balance.

For fiscal year 2022, the Educational Service Center modified it approach related to the eligibility requirements of certain Educational Service Center grants, which had no effect on the beginning net position/fund balance.

NOTE 4 – STATE AND LOCAL SCHOOL DISTRICT FUNDING

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

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAROhio); and

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an account 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

As of June 30, 2022, the Educational Service Center had the following investments:

Measurment/Investment	Measurement Value	Investment Maturity (in Years)	Moody's Rating	Percent of Total Investments
Amortized Cost:				
Commercial Paper	$197,789	Less than one year	P-1	14%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	8,394	Less than one year	N/A	N/A
Fair Value - Level Two Inputs:				
Federal Farm Credit Bank Notes	204,996	Less than three years	Aaa	14%
Federal Home Loan Mortgage Association Notes	258,154	Less than four years	Aaa	18%
Federal Home Loan Bank Notes	165,198	Less than one year	Aaa	12%
Negotiable Certificates of Deposit	343,474	Less than two years	N/A	24%
US Treasury Notes	257,044	Less than two years	Aaa	18%
Total Fair Value - Level Two Inputs	1,228,866			
Totals	$1,435,049			

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Educational Service Center's recurring fair value measurements as of June 30, 2022. The Money Market Mutual Fund is measured at quoted prices in active markets for identical assets (Level 1 inputs). The Educational Service Center's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk:

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

Credit Risk:

The Moody's ratings of the Educational Service Center's investments are listed in the table above. The Educational Service Center has no investment policy dealing with investment credit risk beyond the requirement in State statute.

Concentration of Credit Risk:

The Educational Service Center places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2022, consisted of accrued interest, accounts, interfund and intergovernmental. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Elementary and Secondary School Emergency Relief Fund	$62,412
Governor's Emergency Education Relief Fund	35,766
New Town	1,444
Tipp City	1,947
Total Intergovernmental Receivables	$101,569

NOTE 7 – CAPITAL ASSETS

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

	Balance 6/30/21	Additions*	Deductions	Balance 6/30/22
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	$119,608	$0	$0	$119,608
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,171,991	0	0	1,171,991
Furniture and Equipment	577,659	58,644	(28,488)	607,815
Intangible Right To Use - Equipment	75,487	0	0	75,487
Vehicles	0	5,500	0	5,500
Total Capital Assets, Being Depreciated	1,825,137	64,144	(28,488)	1,860,793
Total Capital Assets	1,944,745	64,144	(28,488)	1,980,401
Less Accumulated Depreciation:				
Buildings and Improvements	(348,260)	(23,406)	0	(371,666)
Furniture and Equipment	(503,305)	(30,518)	21,121	(512,702)
Intangible Right To Use - Equipment	(57,872)	(15,097) *	0	(72,969)
Vehicles	0	(229)	0	(229)
Total Accumulated Depreciation	(909,437)	(69,250) *	21,121	(957,566)
Capital Assets, Being Depreciated, Net	915,700	(5,106)	(7,367)	903,227
Governmental Activities Capital Assets, Net	$1,035,308	($5,106)	($7,367)	$1,022,835

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$11,277
Support Services:	
Pupils	5,773
Instructional Staff	2,176
Administration	49,045
Fiscal	979
Total Depreciation Expense	$69,250

* Of the current year depreciation total of $69,250, $15,097 is presented as general government expense on the Statement of Activities related to the Educational Service Center's intangible asset of copiers, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

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. The Educational Service Center has joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), an insurance purchasing pool (See Note 16). Each individual participant enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the SORSA. The Educational Service Center contracts for property, fleet, cybersecurity, and liability insurance with SORSA.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the last fiscal year.

Workers' Compensation

The Educational Service Center continues to benefit by participating in a Workers' Compensation Group Retrospective Rating Program (GRRP) to achieve maximum savings and program management. During fiscal year 2022, the Educational Service Center switched, at the administrator level, from the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group rating Plan to Northeast Ohio Safety Council Group. The Northeast Ohio Safety Council has a greater focus on promoting safety and preventative measures to reduce work related injuries.

The Program (GRRP) is a BWC approved workers' compensation insurance premium rating pool for public school districts. Each year, the participating school districts pay an enrollment fee to the GRRP administrator to cover the costs of managing the program.

The intent of the GRRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in GRRP. Employers continue to pay their own individual experience- or base-rated premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending on that performance, the participating employers can receive either a premium refund adjustment or assessment. The BWC will recalculate the group-retrospective premium 12 months after the end of the first policy year and then again 24 and 36 months later to issue refunds or assessments. This plan provides incentives to the group retro members who practice effective workplace safety and claims management to control and reduce losses.

The firm of Minute Men HR Management Services, Inc provides administrative, cost control and actuarial services to the members of the GRRP.

Medical Benefits

For fiscal year 2022, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (See Note 14). The Educational Service Center pays monthly premiums to the Trust for employee medical insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

Net Pension/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $689,163 for fiscal year 2022. Of this amount, $89,887 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

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

The Educational Service Center's contractually required contribution to STRS was $1,234,216 for fiscal year 2022. Of this amount, $139,257 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.12249630%	0.064591885%	
Prior Measurement Date	0.11939690%	0.065759700%	
Change in Proportionate Share	0.00309940%	-0.001167815%	
Proportionate Share of the Net Pension Liability	$4,519,758	$8,258,653	$12,778,411
Pension Expense	$118,320	$74,837	$193,157

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$436	$255,152	$255,588
Changes of assumptions	95,173	2,291,098	2,386,271
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	173,960	567,837	741,797
Educational Service Center contributions subsequent to the measurement date	689,163	1,234,216	1,923,379
Total Deferred Outflows of Resources	$958,732	$4,348,303	$5,307,035

	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	$117,216	$51,764	$168,980
Net difference between projected and actual earnings on pension plan investments	2,327,808	7,117,378	9,445,186
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	0	252,007	252,007
Total Deferred Inflows of Resources	$2,445,024	$7,421,149	$9,866,173

$1,923,379 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($442,932)	($1,012,273)	($1,455,205)
2024	(464,559)	(819,600)	(1,284,159)
2025	(553,469)	(1,003,438)	(1,556,907)
2026	(714,495)	(1,471,751)	(2,186,246)
Total	($2,175,455)	($4,307,062)	($6,482,517)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	$7,519,768	$4,519,758	$1,989,719

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	$15,465,366	$8,258,653	$2,168,996

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2022, two member of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 – DEFINED BENEFIT OPEB PLANS

See Note 9 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description - The Educational Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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

For fiscal year 2022, the Educational Service Center's surcharge obligation was $85,710.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was $85,710 for fiscal year 2022, all of which is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System of Ohio (STRS)

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

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

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

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net OPEB liability (asset) was based on the Educational Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net			
OPEB Liability/Asset:			
Current Measurement Date	0.12622070%	0.064591885%	
Prior Measurement Date	0.12200430%	0.065759700%	
Change in Proportionate Share	0.00421640%	-0.001167815%	

	SERS	STRS	Total
Proportionate Share of the:			
Net OPEB (Asset)	$0	($1,361,867)	($1,361,867)
Net OPEB Liability	$2,388,830	$0	$2,388,830
OPEB Expense	$74,373	($94,616)	($20,243)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$25,463	$48,491	$73,954
Changes of assumptions	374,751	86,990	461,741
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	357,070	14,158	371,228
Educational Service Center contributions subsequent to the measurement date	85,710	0	85,710
Total Deferred Outflows of Resources	$842,994	$149,639	$992,633
Deferred Inflows of Resources:			
Differences between expected and actual experience	$1,189,745	$249,519	$1,439,264
Changes of assumptions	327,130	812,452	1,139,582
Net difference between projected and actual earnings on OPEB plan investments	51,898	377,486	429,384
Changes in proportionate share and difference between Educational Service Center contributions and proportionate share of contributions	0	5,714	5,714
Total Deferred Intflows of Resources	$1,568,773	$1,445,171	$3,013,944

$85,710 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($168,977)	($371,477)	($540,454)
2024	(169,341)	(362,029)	(531,370)
2025	(185,738)	(355,078)	(540,816)
2026	(174,265)	(155,105)	(329,370)
2027	(88,253)	(52,985)	(141,238)
2028	(24,915)	1,142	(23,773)
Total	($811,489)	($1,295,532)	($2,107,021)

Actuarial Assumptions – SERS

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

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

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

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

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

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

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9.

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

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1 % Increase (3.27%)
Educational Service Center's proportionate share of the net OPEB liability	$2,960,050	$2,388,830	$1,932,499

Actuarial Assumptions – STRS

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1 % Increase (8.00%)
Educational Service Center's proportionate share of the net OPEB asset	($1,149,205)	($1,361,867)	($1,539,514)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's proportionate share of the net OPEB asset	($1,532,316)	($1,361,867)	($1,151,091)

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

NOTE 11 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All 12 month employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to all staff who have any accumulated vacation upon termination of employment. Teachers do not earn vacation time.

All regular, full-time employees earn three days of personal leave per fiscal year. Any personal leave not used by fiscal year-end will be converted to sick leave.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, employees with ten or more years of current service with the public schools of Ohio or five years as retired/rehired with the Educational Service Center receive payment for one-fourth of accrued but unused sick leave credit to a maximum of 75 days.

Insurance Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to employees through Securian Life Insurance Company of America. Dental insurance is provided through Delta Dental. Vision benefits are provided by Vision Service Plan.

Deferred Compensation Plan

Employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 12 – LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/21	Additions	Deletions	Amount Outstanding 6/30/22	Due in One Year
Governmental Activities:					
Net Pension Liability:					
SERS	$7,897,163	$0	$3,377,405	$4,519,758	$0
STRS	15,911,506	0	7,652,853	8,258,653	0
Total Net Pension Liability	23,808,669	0	11,030,258	12,778,411	0
Net OPEB Liability:					
SERS	2,651,552	0	262,722	2,388,830	0
Compensated Absences	704,858	73,703	4,056	774,505	21,376
Leases	22,932	0	16,985	5,947	5,947
Total Governmental Activities Long-Term Obligations	$27,188,011	$73,703	$11,314,021	$15,947,693	$27,323

The Educational Service Center has outstanding agreement to lease copiers. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	$5,947	$92

Compensated absences and capital leases will be paid from the General Fund. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the General Fund. For additional information related to the net pension/OPEB liabilities see Notes 9 and 10.

NOTE 13 – INTERFUND ACTIVITY

The General Fund advanced $88,512 to nonmajor governmental funds to cover negative cash balances. 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 those restricted monies to reimburse the General Fund for the initial advance.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY SHARED RISK POOL

Jointly Governed Organizations

Metropolitan Educational Technology Association – 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 School District's degree of control is limited to its representation on the Board. The Educational Service Center paid META $6,955 for services provided during the fiscal year. Financial information can be obtained from META Solutions at 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council – The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 130 school districts and educational service centers in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Payments to SOEPC are made from the General Fund. During fiscal year 2022, the Educational Service Center contributed $1,199 to SOEPC. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Upper Valley Career Center – The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts and/or educational service center: Piqua, Sidney, Troy and Midwest Regional Educational Service Center. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. During fiscal year 2022, the Educational Service Center did not contribute any money to the Upper Valley Career Center. Financial information can be obtained from the Upper Valley Career Center at 8811 Career Drive, Piqua, Ohio 45356-9254.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the 11 participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following school districts: Carlisle, Eaton, Huber Heights, Miamisburg, Milton-Union, Northmont, Tipp City, Trotwood-Madison, Vandalia-Butler, Versailles, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one member is appointed from the following educational service centers: Miami County, Darke County, and Preble County. The Board exercises total control over the operations of the Center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. During fiscal year 2022, the Educational Service Center did not contribute any money to the Miami Valley Career Technology Center. Financial information can be obtained from the Miami Valley Career Technology Center at 6800 Hoke Road, Clayton, Ohio 45315.

Insurance Purchasing Pools

Schools of Ohio Risk Sharing Authority, Inc. – The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to the Educational Service Center's property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 N. High St., Suite 160, Columbus, Ohio, 43235.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 15 – FUND BALANCES

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

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid Items	$52,951	$2,500	$55,451
Unclaimed Monies	301	0	301
Total Nonspendable	$53,252	$2,500	$55,752
Restricted for:			
Local Grants	1,275	29,974	31,249
Student Activities	0	3,053	3,053
Total Restricted	1,275	33,027	34,302
Committed to:			
Capital Improvements	214,895	0	214,895
Board Approved Purchases	2,966	0	2,966
Total Committed	217,861	0	217,861
Assigned to:			
Public School Support	5,666	0	5,666
Encumbrances	21,519	0	21,519
Total Assigned	27,185	0	27,185
Unassigned	4,587,261	0	4,587,261
Total Fund Balances	$4,886,834	$35,527	$4,922,361

NOTE 16 – SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances 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 is $66,414 in the General Fund.

NOTE 17 – CONTINGENCIES

Grants

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2022, if applicable, cannot be determined at this time.

Litigation

The Educational Service Center is not party to any legal proceedings.

NOTE 18 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2022, the Educational Service Center received Covid-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Educational Service Center. The impact on the Educational Service Center's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Miami County Educational Service Center

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Nine Fiscal Years (1)

	2022	2021	2020
Educational Service Center's Proportion of the Net Pension Liability	0.12249630%	0.11939690%	0.11520960%
Educational Service Center's Proportionate Share of the Net Pension Liability	$4,519,758	$7,897,163	$6,893,192
Educational Service Center's Covered Payroll	$4,236,429	$4,184,093	$3,998,741
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.69%	188.74%	172.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.10975090%	0.10077540%	0.10211140%	0.09906850%	0.10964500%	0.10964500%
$6,285,639	$6,021,107	$7,473,611	$5,652,943	$5,549,071	$6,520,236
$3,624,163	$3,700,400	$2,731,136	$3,022,764	$3,223,992	$2,970,878
173.44%	162.72%	273.64%	187.01%	172.12%	219.47%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

Miami County Educational Service Center

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Six Fiscal Years (1)

	2022	2021	2020
Educational Service Center's Proportion of the Net OPEB Liability	0.12622070%	0.12200430%	0.11772240%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$2,388,830	$2,651,552	$2,960,472
Educational Service Center's Covered Payroll	$4,236,429	$4,184,093	$3,998,741
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	56.39%	63.37%	74.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.11033840%	0.10193340%	0.10271900%
$3,061,086	$2,735,624	$2,927,871
$3,624,163	$3,700,400	$2,731,136
84.46%	73.93%	107.20%
13.57%	12.46%	11.49%

Miami County Educational Service Center

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Nine Fiscal Years (1)

	2022	2021	2020
Educational Service Center's Proportion of the Net Pension Liability	0.064591885%	0.065759700%	0.062628320%
Educational Service Center's Proportionate Share of the Net Pension Liability	$8,258,653	$15,911,506	$13,849,876
Educational Service Center's Covered Payroll	$7,964,707	$8,012,857	$7,430,229
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	103.69%	198.57%	186.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.059891450%	0.060054120%	0.060199930%	0.060592550%	0.059355530%	0.059355530%
$13,168,785	$14,265,985	$20,150,731	$16,746,008	$14,437,319	$17,197,640
$6,905,836	$5,901,493	$6,771,879	$6,350,671	$6,079,369	$5,866,146
190.69%	241.74%	297.56%	263.69%	237.48%	293.17%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2022	2021	2020
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.064591885%	0.065759700%	0.062628320%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	($1,361,867)	($1,155,725)	($1,037,276)
Educational Service Center's Covered Payroll	$7,964,707	$8,012,857	$7,430,229
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-17.10%	-14.42%	-13.96%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.70%	182.10%	174.70%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.059891450%	0.060054120%	0.060199930%
($962,395)	$2,343,090	$3,219,508
$6,905,836	$5,901,493	$6,771,879
-13.94%	39.70%	47.54%
176.00%	47.10%	37.30%

Miami County Educational Service Center

Required Supplementary Information

Schedule of the Educational Service Center's Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$689,163	$593,100	$585,773	$539,830
Contributions in Relation to the Contractually Required Contribution	(689,163)	(593,100)	(585,773)	(539,830)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Covered Payroll (1)	$4,922,593	$4,236,429	$4,184,093	$3,998,741
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	85,710	80,675	69,422	80,847
Contributions in Relation to the Contractually Required Contribution	(85,710)	(80,675)	(69,422)	(80,847)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.74%	1.90%	1.66%	2.02%
Total Contributions as a Percentage of Covered Payroll (2)	15.74%	15.90%	15.66%	15.52%

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
$489,262	$518,056	$382,359	$398,400	$446,845	$411,169
(489,262)	(518,056)	(382,359)	(398,400)	(446,845)	(411,169)
$0	$0	$0	$0	$0	$0
$3,624,163	$3,700,400	$2,731,136	$3,022,764	$3,223,992	$2,970,878
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
73,272	54,028	48,717	73,471	57,275	56,453
(73,272)	(54,028)	(48,717)	(73,471)	(57,275)	(56,453)
$0	$0	$0	$0	$0	$0
2.02%	1.46%	1.78%	2.43%	1.78%	1.90%
15.52%	15.46%	15.78%	15.61%	15.64%	15.74%

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

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$1,234,216	$1,115,059	$1,121,800	$1,040,232
Contributions in Relation to the Contractually Required Contribution	(1,234,216)	(1,115,059)	(1,121,800)	(1,040,232)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Covered Payroll	$8,815,829	$7,964,707	$8,012,857	$7,430,229
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
$966,817	$826,209	$948,063	$889,094	$790,318	$762,599
(966,817)	(826,209)	(948,063)	(889,094)	(790,318)	(762,599)
$0	$0	$0	$0	$0	$0
$6,905,836	$5,901,493	$6,771,879	$6,350,671	$6,079,369	$5,866,146
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
$0	$0	$0	$0	$60,794	$58,661
0	0	0	0	(60,794)	(58,661)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

NET PENSION LIABILITY

Changes in Assumptions – SERS

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

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

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

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

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

NET OPEB LIABILITY

Changes in Assumptions – SERS

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

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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

Changes in Benefit Terms – STRS OPEB

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

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

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

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

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

Miami County Educational Service Center

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$0	$0	$541,976	$541,976
Investment Earnings	0	0	23,607	23,607
Tuition and Fees	0	0	19,417,735	19,417,735
Gifts and Donations	0	0	25,821	25,821
Charges for Services	0	0	20,475	20,475
Miscellaneous	0	0	285,448	285,448
Total Revenues	0	0	20,315,062	20,315,062
Expenditures:				
Current:				
Instruction:				
Regular	124,699	806,457	663,703	142,754
Special	9,176,127	13,996,059	12,124,104	1,871,955
Support Services:				
Pupils	3,476,390	4,829,091	4,337,816	491,275
Instructional Staff	468,911	897,197	676,903	220,294
Board of Education	23,163	26,938	24,066	2,872
Administration	1,548,040	2,180,906	1,805,283	375,623
Fiscal	252,678	378,736	343,446	35,290
Business	0	19	19	0
Operation and Maintenance of Plant	137,620	203,669	161,510	42,159
Pupil Transportation	21,618	13,854	7,209	6,645
Central	750	1,000	0	1,000
Capital Outlay	15,000	22,350	6,550	15,800
Total Expenditures	15,244,996	23,356,276	20,150,609	3,205,667
Excess of Revenues Over (Under) Expenditures	(15,244,996)	(23,356,276)	164,453	23,520,729
Net Change in Fund Balance			164,453	
Fund Balance at Beginning of Year			6,815,909	
Prior Year Encumbrances Appropriated			45,465	
Fund Balance at End of Year			$7,025,827	

See Accompanying Notes to the Supplemental Information

NOTE 1 - BUDGETARY PROCESS

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

The Educational Service Center is not required under State statute to have a certificate of estimated resources. Therefore the Educational Service Center's Board does not approve estimated revenues. However, the Treasurer does estimate and track the estimated revenues for the Educational Service Center. Because the Educational Service Center's Board does not approve estimated resources, the budgetary schedule does not reflect original or final estimated revenues.

The Educational Service Center's Board adopts an annual appropriations resolution, which is the Board's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund/function level for the General Fund and at the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the function and object level within 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 schedules reflect the amounts on the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from the prior fiscal year. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the Board during 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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 (non-GAAP basis) and actual is presented for the General Fund 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 as follows:

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 restricted, committed, or assigned of fund balance (GAAP basis).

4. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	General Fund
GAAP Basis	($216,842)
Revenue Accruals	53,520
Expenditure Accruals	391,792
Encumbrances	(66,414)
Change in Fair Value of Investments Fiscal Year 2022	(24,783)
Change in Fair Value of Investments Fiscal Year 2021	27,180
Budget Basis	$164,453

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

Miami County Educational Service Center
Miami County
2000 West Stanfield Road
Troy, OH 45373

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami County Educational Service Center, Miami County, (the Educational Service Center) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated February 23, 2024.

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 purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Educational Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Educational Service Center's internal control.

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

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

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
February 23, 2024

OHIO AUDITOR OF STATE
KEITH FABER

MIAMI COUNTY EDUCATIONAL SERVICE CENTER

MIAMI COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 4/16/2024

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