



OHIO AUDITOR OF STATE
KEITH FABER



**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY
JUNE 30, 2021**

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**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Educational Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Educational Service Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the 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 Educational Service Center, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Educational Service Center. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Assets/Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Educational Service Center's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual present additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 25, 2022

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Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of the Muskingum Valley 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, 2021. 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 basic 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 the fiscal year 2021 are as follows:

- Net position of governmental activities increased \$461,450.
- General revenues accounted for \$1,264,259 in revenue or 6 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$18,419,715, or 94 percent of total revenues of \$19,683,974.
- The Educational Service Center had \$19,222,524 in expenses related to governmental activities; program specific charges for services and sales and grants and contributions and general revenues were adequate to support these programs.

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 Muskingum Valley Educational Service Center (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 and conditions.

The Statement of Net Position and 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 non-major funds presented in total in one column.

Reporting the Educational Service Center as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for School Districts, 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 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities 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.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

These two statements report the Educational Service Center's net position and changes in 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, some not.

In the Statement of Net Position and the Statement of Activities, all of the Educational Service Center's activities are reported as governmental including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major fund begins on page 11. Fund financial reports provide detailed information about the Educational Service Center's major fund. 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 major governmental funds are the General Fund and the Tele-Mental Health Grant Special Revenue Fund.

Governmental Funds Most of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Educational Service Center's general governmental 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.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The Educational Service Center does not have any proprietary funds.

Fiduciary Funds – The Educational Service Center has an external investment pool that accounts for all the fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding." The Educational Service Center also has custodial funds. Custodial funds are custodial in nature (assets equaling liabilities) and do not involve measurements of results of operations. Fiduciary funds are excluded from the other financial statements because their assets are not available to the Educational Service Center to finance operations. Fiduciary funds use the accrual basis of accounting.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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 governmental activities for 2021 compared to 2020.

Table 1
Net Position

	2021	2020	Change
Assets			
Current and Other Assets	\$8,589,952	\$7,106,106	\$1,483,846
Capital Assets	317,175	323,644	(6,469)
Total Assets	<u>8,907,127</u>	<u>7,429,750</u>	<u>1,477,377</u>
Deferred Outflows of Resources			
Pension	4,429,182	5,261,317	(832,135)
OPEB	1,087,222	1,024,512	62,710
Total Deferred Outflows	<u>5,516,404</u>	<u>6,285,829</u>	<u>(769,425)</u>
Liabilities			
Current and Other Liabilities	3,353,363	3,014,309	339,054
Long-Term Liabilities:			
Due Within One Year	0	37,356	(37,356)
Due In More Than One Year:			
Net Pension Liability	27,175,743	27,831,723	(655,980)
Net OPEB Liability	2,777,897	3,854,060	(1,076,163)
Other Amounts	1,008,808	1,389,395	(380,587)
Total Liabilities	<u>34,315,811</u>	<u>36,126,843</u>	<u>(1,811,032)</u>
Deferred Inflows of Resources			
Pension	2,308,601	1,208,725	1,099,876
OPEB	3,753,755	2,796,097	957,658
Total Deferred Inflows of Resources	<u>6,062,356</u>	<u>4,004,822</u>	<u>2,057,534</u>
Net Position (Deficit)			
Investment in Capital Assets	317,175	323,644	(6,469)
Restricted	494,306	344,557	149,749
Unrestricted	<u>(26,766,117)</u>	<u>(27,084,287)</u>	<u>318,170</u>
Total Net Position (Deficit)	<u>(\$25,954,636)</u>	<u>(\$26,416,086)</u>	<u>\$461,450</u>

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2021. 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 School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets increased \$1,477,377. Current assets increased by \$1,483,846, primarily due to increases in equity in pooled cash and cash equivalents, most notably for the \$1,150,000 of tele-mental health grant funds on hand at fiscal year-end. This increase was offset by a slight decrease in capital assets, as annual depreciation and disposals, exceeded capital asset additions.

Total liabilities decreased \$1,811,032. Long-term liabilities decreased \$2,150,086 as turnover and reductions in staffing impacted the net pension liability, the net OPEB liability, as well as the amounts due in more than one year for sick leave benefits payable. Current and other liabilities increased \$339,054 primarily due to the amount reported for unearned revenue for the tele-mental health grant, which was offset by decreases in accrued wages and benefits payable.

Table 2 shows the changes in net position for governmental activities for the fiscal year ended June 30, 2021, and comparisons to fiscal year 2020.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 2
Changes in Net Position

Revenues	<u>2021</u>	<u>2020</u>	<u>Change</u>
Program Revenues:			
Charges for Services and Sales	\$13,764,761	\$16,711,443	(\$2,946,682)
Operating Grants and Contributions	4,654,954	4,226,522	428,432
Total Program Revenues	<u>18,419,715</u>	<u>20,937,965</u>	<u>(2,518,250)</u>
General Revenues:			
Grants and Entitlements	792,131	783,666	8,465
Investment Earnings	14,700	56,528	(41,828)
Miscellaneous	457,428	144,825	312,603
Total General Revenues	<u>1,264,259</u>	<u>985,019</u>	<u>279,240</u>
Total Revenues	<u>19,683,974</u>	<u>21,922,984</u>	<u>(2,239,010)</u>
 Program Expenses			
Instruction:			
Regular	786,435	906,986	(120,551)
Special	5,840,679	9,599,868	(3,759,189)
Student Intervention Services	1,281,942	1,322,148	(40,206)
Support Services:			
Pupils	4,601,088	5,158,689	(557,601)
Instructional Staff	4,335,425	4,501,756	(166,331)
Board of Education	19,968	33,591	(13,623)
Administration	815,455	1,337,745	(522,290)
Fiscal	521,713	685,669	(163,956)
Operation and Maintenance of Plant	121,912	153,426	(31,514)
Pupil Transportation	16,102	9,517	6,585
Central	735,279	650,678	84,601
Operation of Non-Instructional Services:			
Community Services	103,881	124,509	(20,628)
Extracurricular Activities	42,645	29,365	13,280
Total Expenses	<u>19,222,524</u>	<u>24,513,947</u>	<u>(5,291,423)</u>
Change in Net Position	461,450	(2,590,963)	3,052,413
Net Position (Deficit) at Beginning of Year	<u>(26,416,086)</u>	<u>(23,825,123)</u>	<u>(2,590,963)</u>
Net Position (Deficit) at End of Year	<u><u>(\$25,954,636)</u></u>	<u><u>(\$26,416,086)</u></u>	<u><u>\$461,450</u></u>

The Educational Service Center provides special instruction, pupil support, and instructional support services to its member districts and, in some cases, districts outside its service region. Charges for services are modeled to cover the cost of the service plus an administrative fee. As economic conditions warrant, the Educational Service Center adjusts its expenditures and charges for services to maintain expenditures within its resources.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The primary sources of revenue for the Educational Service Center are derived from charges for services provided to contracting school districts, which represent approximately 94 percent of total revenues. Charges for services and sales program revenue decreased \$2,946,682 from the prior year, primarily due to a decreases in tuition and fees and an overall decrease in contracted services with school districts, most notably special instruction program related services.

Special instruction program expense accounted for approximately 30 percent of total program expenses. Support services program expenses for pupils accounted for 24 percent of total program expenses. Support services program expenses for instructional staff accounted for 23 percent. Program expenses decreased \$5,291,423 from the prior year. The decrease is primarily due to decreases in pension and OPEB expense due to decreases and changes in staffing.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions, offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by unrestricted entitlements.

Table 3
Governmental Activities

	2021 Total Cost of Services	2021 Net Cost of Services	2020 Total Cost of Services	2020 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$786,435	(\$216,543)	\$906,986	(\$215,325)
Special	5,840,679	(1,654,379)	9,599,868	697,699
Student Intervention Services	1,281,942	(43,061)	1,322,148	(280,631)
Support Services:				
Pupils	4,601,088	1,071,896	5,158,689	558,091
Instructional Staff	4,335,425	1,285,911	4,501,756	1,817,445
Board of Education	19,968	19,968	33,591	33,591
Administration	815,455	425,275	1,337,745	878,968
Fiscal	521,713	(334,799)	685,669	(271,463)
Operation and Maintenance of Plant	121,912	25,674	153,426	25,561
Pupil Transportation	16,102	2,799	9,517	(389)
Central	735,279	239,156	650,678	370,130
Operation of Non-Instructional Services:				
Community Services	103,881	(16,837)	124,506	(25,104)
Extracurricular Activities	42,645	(2,251)	29,365	(12,591)
Totals	\$19,222,524	\$802,809	\$24,513,944	\$3,575,982

The Educational Service Center relies on program revenues to support its operations, which were not sufficient in fiscal year 2021.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The Educational Service Center's Major Funds

The Educational Service Center's General Fund is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$14,938,971, a decrease of \$2,996,425 from the prior year, largely due to decreases in tuition and fees and charges for services. The General Fund had total expenditures of \$13,692,845, a decrease of \$4,183,109 as the Educational Service center adapts to operational costs to align with the services provided to its members. Including other financing sources, the General Fund's balance increased \$1,246,491.

The Educational Service Center's other major fund is the Tele-Health Grant Special Revenue Fund. The Educational Service Center was advance funded its grant allocation prior to the end of fiscal year 2021. The programs to be funded by the grant are to be in place beginning in fiscal year 2022 and for subsequent years after. The Tele-Health Grant Fund reported no change in fund balance as the cash on hand is offset by an unearned revenue liability. As the grant program period begins and allowable costs are incurred, the revenues will be recognized.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the Educational Service Center had \$317,175 invested in land and land improvements; buildings and improvements; and furniture, fixtures, and equipment. Table 4 shows fiscal year 2021 balances compared to 2020.

Table 4
Capital Assets at June 30, 2021
(Net of Depreciation)

	2021	2020
Land	\$10,840	\$10,840
Land Improvements	6,843	7,472
Buildings and Improvements	127,003	135,937
Furniture, Fixtures, and Equipment	172,489	169,395
Totals	\$317,175	\$323,644

See Note 9 for more detailed information of the Educational Service Center's capital assets.

Debt

At June 30, 2021, the Educational Service Center only had compensated absences payable, net pension liability, and net OPEB liability as long-term liabilities. For additional information, see Notes 11, 12, and 15 to the basic financial statements.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Economic Factors

As the preceding information shows, the Educational Service Center relies heavily on contracts with its member school districts in Coshocton, Hocking, Morgan, Muskingum, and Perry Counties. Existing contracts with member districts and carryover balances will fund the Educational Service Center's operations during fiscal year 2022. However, the future financial health of the Educational Service Center presents certain challenges.

General Fund revenue for the Educational Service Center is generated by two primary means: State funding and fees for services. State funding has declined as a percentage of the total revenue budget throughout the course of the Educational Service Center's existence. As a comparison of changes in State funding over time, in fiscal year 1998, State funds accounted for 70 percent of total General Fund revenue. For fiscal year 2021, State funding accounted for only 5.5 percent of the General Fund's total revenues. Muskingum Valley Educational Service Center uses its State funding to offset administrative costs. As the State of Ohio continues to reduce Educational Service Center funding, Muskingum Valley Educational Service Center must search for ways to fund its administrative costs by either raising administrative fees charged for services or serving as the fiscal agent for additional programs and grants. During fiscal year 2020, Muskingum Valley Educational Service Center experienced a reduction in revenue sources for certain instructional support service programs. In order to sustain those programs for fiscal year 2021 and beyond, Muskingum Valley Educational Service Center must find other sources to fund the operations of those programs.

Another challenge the Educational Service Center faces is the financial circumstances of its member districts. With the uncertainty of adequate State funding, districts may not be able to continue with existing Educational Service Center services or obtain additional Educational Service Center services. As the State of Ohio reduces Educational Service Center State funding, Educational Service Center customers will be faced with higher participation and service fees.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, districts, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information please contact Danielle Devoll, Treasurer at the Muskingum Valley Educational Service Center, 205 North 7th Street, Zanesville, Ohio 43701. You may also email the treasurer at danielle.devoll@mvesc.org.

Muskingum Valley Educational Service Center, Ohio

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,329,693
Inventory Held for Resale	20,840
Accrued Interest Receivable	4,603
Intergovernmental Receivable	1,589,161
Prepaid Items	278,807
Net OPEB Asset	1,366,848
Nondepreciable Capital Assets	10,840
Depreciable Capital Assets, Net	<u>306,335</u>
<i>Total Assets</i>	<u>8,907,127</u>
Deferred Outflows of Resources	
Pensions	4,429,182
OPEB	<u>1,087,222</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,516,404</u>
Liabilities	
Accounts Payable	92,689
Accrued Wages and Benefits Payable	1,670,331
Vacation Benefits Payable	55,007
Matured Compensated Absences Payable	59,395
Intergovernmental Payable	325,941
Unearned Revenue	1,150,000
Long-Term Liabilities:	
Due in More than One Year:	
Net Pension Liability	27,175,743
Net OPEB Liability	2,777,897
Other Amounts	<u>1,008,808</u>
<i>Total Liabilities</i>	<u>34,315,811</u>
Deferred Inflows of Resources	
Pensions	2,308,601
OPEB	<u>3,753,755</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,062,356</u>
Net Position	
Investment in Capital Assets	317,175
Restricted for:	
Unclaimed Monies	11,061
State Grants	143,129
Federal Grants	224,684
Local Initiatives	115,432
Unrestricted (Deficit)	<u>(26,766,117)</u>
<i>Total Net Position</i>	<u><u>(\$25,954,636)</u></u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Statement of Activities

For the Fiscal Year Ended June, 30, 2021

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$786,435	\$920,755	\$82,223	\$216,543
Special	5,840,679	6,596,406	898,652	1,654,379
Student Intervention Services	1,281,942	1,013,654	311,349	43,061
Support Services:				
Pupils	4,601,088	3,113,319	415,873	(1,071,896)
Instructional Staff	4,335,425	881,438	2,168,076	(1,285,911)
Board of Education	19,968	0	0	(19,968)
Administration	815,455	206,247	183,933	(425,275)
Fiscal	521,713	749,223	107,289	334,799
Operation and Maintenance of Plant	121,912	15,750	80,488	(25,674)
Pupil Transportation	16,102	0	13,303	(2,799)
Central	735,279	176,288	319,835	(239,156)
Operation of Non-Instructional Services:				
Community Services	103,881	88,144	32,574	16,837
Extracurricular Activities	42,645	3,537	41,359	2,251
<i>Totals</i>	<u>\$19,222,524</u>	<u>\$13,764,761</u>	<u>\$4,654,954</u>	<u>(802,809)</u>
General Revenues				
Grants and Entitlements not Restricted to Specific Programs				792,131
Investment Earnings				14,700
Miscellaneous				<u>457,428</u>
<i>Total General Revenues</i>				<u>1,264,259</u>
<i>Change in Net Position</i>				461,450
<i>Net Position (Deficit) at Beginning of Year</i>				<u>(26,416,086)</u>
<i>Net Position (Deficit) at End of Year</i>				<u><u>(\$25,954,636)</u></u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

*Balance Sheet
Governmental Funds
June 30, 2021*

	General	Tele-Mental Health Grant	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,034,464	\$1,150,000	\$134,168	\$5,318,632
Receivables:				
Intergovernmental	399,507	0	1,189,654	1,589,161
Interfund	677,853	0	0	677,853
Accrued Interest	4,603	0	0	4,603
Prepaid Items	226,527	0	52,280	278,807
Inventory Held for Resale	20,840	0	0	20,840
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,061	0	0	11,061
<i>Total Assets</i>	<u>\$5,374,855</u>	<u>\$1,150,000</u>	<u>\$1,376,102</u>	<u>\$7,900,957</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	\$11,791	\$0	\$80,898	\$92,689
Accrued Wages and Benefits Payable	1,310,100	0	360,231	1,670,331
Interfund Payable	0	0	677,853	677,853
Matured Compensated Absences Payable	59,395	0	0	59,395
Intergovernmental Payable	235,501	0	90,440	325,941
Unearned Revenue	0	1,150,000	0	1,150,000
<i>Total Liabilities</i>	<u>1,616,787</u>	<u>1,150,000</u>	<u>1,209,422</u>	<u>3,976,209</u>
Deferred Inflows of Resources				
Unavailable Revenue	158,704	0	437,391	596,095
Fund Balances (Deficit)				
Nonspendable:				
Prepaid Items	226,527	0	52,280	278,807
Unclaimed Monies	11,061	0	0	11,061
Restricted for:				
State Grants	0	0	39	39
Federal Grants	0	0	89,486	89,486
Local Initiatives	0	0	113,979	113,979
Committed to:				
Purchases for Contracts	61,417	0	0	61,417
Assigned to:				
Purchases on Order	3,548	0	0	3,548
School Support Services	300,502	0	0	300,502
Unassigned	2,996,309	0	(526,495)	2,469,814
<i>Total Fund Balances (Deficit)</i>	<u>3,599,364</u>	<u>0</u>	<u>(270,711)</u>	<u>3,328,653</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,374,855</u>	<u>\$1,150,000</u>	<u>\$1,376,102</u>	<u>\$7,900,957</u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2021*

Total Governmental Fund Balances	\$3,328,653
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Amounts reported for governmental activities in the statement of net position are different because

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	317,175
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
Intergovernmental Revenues	437,391
Charges for Services and Sales	156,204
Interest Revenue	2,500
	596,095

The net pension liability, net OPEB asset, and net OPEB liability is not due and payable in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in the governmental funds:	
Net OPEB Asset	1,366,848
Deferred Outflows - Pension	4,429,182
Deferred Inflows - Pension	(2,308,601)
Net Pension Liability	(27,175,743)
Deferred Outflows - OPEB	1,087,222
Deferred Inflows - OPEB	(3,753,755)
Net OPEB Liability	(2,777,897)
	(29,132,744)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Vacation Benefits Payable	(55,007)
Sick Leave Benefits Payable	(1,008,808)
	(1,063,815)

<i>Net Position (Deficit) of Governmental Activities</i>	<u><u>(\$25,954,636)</u></u>
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See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	\$828,324	\$4,608,986	\$5,437,310
Investment Earnings	12,200	0	12,200
Tuition and Fees	9,360,130	0	9,360,130
Charges for Services	4,269,741	0	4,269,741
Extracurricular Activities	3,537	0	3,537
Rent	15,750	0	15,750
Gifts and Donations	1,765	0	1,765
Miscellaneous	447,524	9,904	457,428
<i>Total Revenues</i>	<u>14,938,971</u>	<u>4,618,890</u>	<u>19,557,861</u>
Expenditures			
Current:			
Instruction:			
Regular	678,175	59,435	737,610
Special	4,765,111	974,646	5,739,757
Student Intervention Services	819,484	377,288	1,196,772
Support Services:			
Pupils	3,866,582	449,990	4,316,572
Instructional Staff	2,060,846	2,147,304	4,208,150
Board of Education	19,798	0	19,798
Administration	559,104	190,926	750,030
Fiscal	411,713	117,757	529,470
Operation and Maintenance of Plant	42,446	85,954	128,400
Pupil Transportation	0	16,102	16,102
Central	409,813	305,618	715,431
Operation of Non-Instructional Services:			
Community Services	57,456	39,480	96,936
Extracurricular Activities	2,317	34,598	36,915
<i>Total Expenditures</i>	<u>13,692,845</u>	<u>4,799,098</u>	<u>18,491,943</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,246,126	(180,208)	1,065,918
Other Financing Sources			
Proceeds from Sale of Capital Assets	365	0	365
<i>Net Change in Fund Balance</i>	1,246,491	(180,208)	1,066,283
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>2,352,873</u>	<u>(90,503)</u>	<u>2,262,370</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$3,599,364</u></u>	<u><u>(\$270,711)</u></u>	<u><u>\$3,328,653</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds		\$1,066,283
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:		
Capital Asset Additions	70,862	
Depreciation Expense	<u>(71,549)</u>	(687)
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		
		(5,782)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Intergovernmental Revenues	8,010	
Charges for Services and Sales	137,451	
Interest	2,500	
Tuition and Fees	<u>(21,848)</u>	126,113
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pensions	1,603,968	
OPEB	<u>64,773</u>	1,668,741
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities/asset are reported as pension/OPEB expense in the statement of activities.		
Pensions	(2,879,999)	
OPEB	<u>69,874</u>	(2,810,125)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Vacation Benefits Payable	417,943	
Sick Leave Benefits Payable	<u>(1,036)</u>	416,907
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$461,450</u></u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

	<u>Custodial</u>	
	<u>External Investment Pool</u>	<u>Other Custodial</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$545,888	\$0
Cash and Cash Equivalents in Segregated Accounts	0	4,296,815
Investments in Segregated Accounts	<u>0</u>	<u>25,940,532</u>
<i>Total Assets</i>	<u>\$545,888</u>	<u>\$30,237,347</u>
Net Position		
Restricted for Individuals, Organizations, and Other Governments	<u>\$545,888</u>	<u>\$30,237,347</u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2021

	<u>Custodial</u>	
	<u>External Investment Pool</u>	<u>Other Custodial</u>
Additions		
Investment Earnings	\$387	\$424,501
Capital Transactions:		
Amounts Invested	467,983	
Amounts Distributed	(216,923)	
Net Capital Transactions	<u>251,060</u>	
Amounts Received as Fiscal Agent		<u>82,728,985</u>
<i>Total Additions</i>	<u>251,447</u>	<u>83,153,486</u>
Deductions		
Distributions as Fiscal Agent		<u>84,568,234</u>
<i>Change in Fiduciary Net Position</i>	251,447	(1,414,748)
<i>Net Position Beginning of Year</i>	<u>294,441</u>	<u>31,652,095</u>
<i>Net Position End of Year</i>	<u>\$545,888</u>	<u>\$30,237,347</u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

The Muskingum Valley Educational Service Center (the Educational Service Center) is located in Zanesville, Ohio, the county seat. The Educational Service Center operates programs in Coshocton, Hocking, Morgan, Muskingum, and Perry counties. The Educational Service Center provides supervisory, special education, administrative, cooperative classes, multi-handicapped programming, preschool, and other services to Caldwell Exempted Village School District, Crooksville Exempted Village, East Muskingum Local, Franklin Local, Logan-Hocking Local, Maysville Local, Morgan Local, New Lexington City Schools, Northern Local, Ridgewood Local, River View Local, Tri-Valley Local, West Muskingum Local, Coshocton City, Coshocton County Career Center, Mid-East Career and Technology Centers, and Zanesville City Schools. 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 Muskingum Valley Educational Service Center operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has 147 support staff employees and 197 certified personnel that provide services to the school districts.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Educational Service Center are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Muskingum Valley Educational Service Center, this includes general operations and student related activities.

The Educational Service Center participates in the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA), Coalition of Rural and Appalachian Schools, and the Ohio Coalition of Equity and Adequacy of School Funding, which are defined as jointly governed organizations. The Educational Service Center also participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, the Schools of Ohio Risk Sharing Authority, and the Ohio School Benefits Cooperative, which are defined as insurance purchasing pools. These organizations are presented in Notes 16 and 17.

Component Units

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 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 benefit to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Educational Service Center that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Educational Service Center has no business-type activities.

The statement of net position presents the cash balance, inventory, prepaid items, interfund loan balances, capital assets and debt of the governmental (and business-type) activities of the Educational Service Center at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the Educational Service Center's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Governmental Funds Governmental funds are those through which most governmental functions 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, liabilities, and deferred inflows of resources is reported as fund balance. The following is a description of the Educational Service Center's major governmental funds:

General Fund The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

Tele-Mental Health Grant Special Revenue Fund The Tele-Mental Health Grant Special Revenue Fund accounts for and reports grant monies which are restricted for facilitating a project to provide telehealth and teletherapy services and equipment to rural school districts in Ohio.

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Educational Service Center has no proprietary funds.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The Educational Service Center has an external investment pool that accounts for all the fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding". The Educational Service Center's custodial fund accounts for the activity of the Ohio School Benefits Cooperative, which is a claims servicing and purchasing pool, both of which the Educational Service Center acts as the fiscal agent.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (revenues) and decreases (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 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.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Like the government-wide statements, all proprietary and 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 investment trust, private purpose trust funds, and 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 statements presented for fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/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. 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.

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, provided the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specific 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 nonexchange 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: charges for services and sales, tuition and fees, and grants.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. 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 11 and 12.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized 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 tuition and fees, charges for services and sales, and grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Deposits and Investments

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds, excluding the agency funds, are maintained in these accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

The Educational Service Center has a segregated bank account for monies held separate from the Educational Service Center’s central bank account. This account maintains monies received in the Educational Service Center’s capacity as fiscal agent for the Ohio School Benefits Cooperative. This interest bearing depository account is presented on the financial statements as “Cash and Cash Equivalents in Segregated Accounts” since it is not deposited into the Educational Service Center treasury.

During fiscal year 2021, investments were limited to certificates of deposit. The Educational Service Center reports its nonnegotiable certificates of deposit at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$12,200, which includes \$10,980 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Receivables and Payables

Receivables and payables on the Educational Service Center’s financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Prepaid Items

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of instructional materials held for resale.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The Educational Service Center was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets, except land, 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-30 years
Buildings and Improvements	15-30 years
Furniture, Fixtures, and Equipment	3-15 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, since vacation time must be used within a year of being earned.

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.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

The Educational Service Center records a liability for accumulated unused sick leave for all employees after ten years of service with one of the State retirement systems.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent 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 funds from which these payments will be paid.

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, claims and judgments and 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.

Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Educational Service Center are reported as restricted.

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 governmental funds. The classifications are as follows:

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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 determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education 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 the 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 Board of Education or an Educational Service Center official delegated that authority by resolution or State Statute. State statute authorizes the Educational Service Center's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

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.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2021, the Educational Service Center implemented the Governmental Accounting Standards Board's (GASB) Statement No. 98, The Annual Comprehensive Financial Report. GASB 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Educational Service Center is also implementing Implementation Guide No. 2019-1. These changes were incorporated in the Educational Service Center's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - FUND DEFICITS

The following special revenue funds had deficit fund balances as of June 30, 2021:

Public School Preschool	\$258,076
Miscellaneous State Grants	49,800
Elementary and Secondary Schools Emergency Relief	28,076
Governor's Emergency Education Relief	1,464
21st Century	133,561
Title I	1,907
EHA Preschool Handicap	13,884

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Interim monies held by the Educational Service Center may 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 (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2021, \$2,036,493 of the Educational Service Center's bank balance of \$36,131,644 was exposed to custodial credit risk because one of the Educational Service Center's financial institutions participating in the Ohio Pooled Collateral System (OPCS) was approved for a reduced collateral floor of 50 percent.

The Educational Service Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Educational Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 6 - STATE FUNDING

The Educational Service Center, under state law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's local school districts based on each school's total student count.

The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of local school districts agree to the services and the apportionment of the costs to all of the local school districts.

The Educational Service Center also receives funding from the State Department of Education in the amount of \$26.00 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount 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.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 7 - INTERFUND BALANCES

Interfund balances at June 30, 2021, represent \$608,879 due to the General Fund from Special Revenue Funds for cash deficits and \$68,974 due to the General Fund from Special Revenue Funds for grant administration services.

	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$677,853</u>	<u>\$0</u>
Non-Major Special Revenue Funds:		
Other Grants	0	5,970
Public Preschool	0	122,858
Miscellaneous State Grants	0	105,329
Elementary and Secondary Schools Emergency Relief	0	6,879
Governor's Emergency Education Relief	0	134,205
21st Century	0	81,953
Coronavirus Relief Broadband Connectivity Grant	0	7,663
Special Education	0	98,567
Title I	0	1,814
EHA Preschool Handicap Grant	0	15,431
Striving Readers Grant	0	48,009
Miscellaneous Federal Grants	<u>0</u>	<u>49,175</u>
Total All Funds	<u><u>\$677,853</u></u>	<u><u>\$677,853</u></u>

NOTE 8 - RECEIVABLES

Receivables at June 30, 2021, consisted of accounts receivable (charges for services, excess costs), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Services Provided to School Districts	\$399,507
State Support Team	38,038
State Professional Development	19,542
IDEA B	219,115
Early Childhood Special Education - Discretionary	15,695
Early Childhood Special Ed	22,440
Early Childhood Education	113,207
Parent Mentor Grant	5,339
Urban Regional Literacy	22,247
21st Century	149,395
SST - Transition	3,823
Mental Health	62,405
Early Literacy SSIP	22,005
Student Assessment	57,650
Striving Readers	102,254
Governor's Emergency Relief Fund	134,200
Innovative Strategies	17,957
Prevention Education Professional Development	168,465
Priority School Support	5,570
Elementary and Secondary School Emergency Relief	2,340
Broadband Ohio Connectivity	7,662
Parent Mentor	<u>305</u>
Total Intergovernmental Receivable	<u>\$1,589,161</u>

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Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
<u>Nondepreciable Capital Assets</u>				
Land	<u>\$10,840</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,840</u>
 <u>Depreciable Capital Assets</u>				
Land Improvements	10,359	0	0	10,359
Buildings and Improvements	323,514	0	0	323,514
Furniture, Fixtures, and Equipment	<u>1,041,528</u>	<u>70,862</u>	<u>(100,269)</u>	<u>1,012,121</u>
Total Depreciable Capital Assets	<u>1,375,401</u>	<u>70,862</u>	<u>(100,269)</u>	<u>1,345,994</u>
 Less Accumulated Depreciation				
Land Improvements	(2,887)	(629)	0	(3,516)
Buildings and Improvements	(187,577)	(8,934)	0	(196,511)
Furniture, Fixtures, and Equipment	<u>(872,133)</u>	<u>(61,986)</u>	<u>94,487</u>	<u>(839,632)</u>
Total Accumulated Depreciation	<u>(1,062,597)</u>	<u>(71,549) *</u>	<u>94,487</u>	<u>(1,039,659)</u>
 Depreciable Capital Assets, Net of Accumulated Depreciation				
	<u>312,804</u>	<u>(687)</u>	<u>(5,782)</u>	<u>306,335</u>
 Governmental Activities Capital Assets, Net				
	<u>\$323,644</u>	<u>(\$687)</u>	<u>(\$5,782)</u>	<u>\$317,175</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$337
Special	6,210
Student Intervention Services	13,961
Support Services:	
Pupils	577
Instructional Staff	4,479
Administration	35,933
Operation and Maintenance	6,319
Central	<u>3,733</u>
Total Depreciation Expense	<u>\$71,549</u>

NOTE 10 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Educational Service Center participated with other school districts in the Schools of Ohio Risk Sharing Authority (SORSA), a public entity insurance purchasing pool. Each individual school district enters into an agreement with 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 SORSA. (See Note 17)

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

The types and amounts of coverage provided by the SORSA are as follows:

<u>Building and Contents (deductible waived)</u>	
Building	\$3,156,026
Personal Property	100,000
Valuable Paper and Records	1,000,000
Accounts Receivable	1,000,000
Extra Expense	1,000,000
Business Income	2,000,000
<u>Earthquake (\$50,000 deductible)</u>	
	2,000,000
<u>Crime Insurance (deductible waived)</u>	
Employee Theft	100,000
Forgery or Alteration	100,000
Computer Fraud	100,000
<u>Inland Marine (deductible waived)</u>	
Electronic Data Processing Media and Data Reproduction	1,250,000
<u>Fleet Insurance (deductible waived)</u>	
Automobile Liability (per occurrence)	15,000,000
Uninsured Motorists (per occurrence)	1,000,000
<u>General Liability (deductible waived)</u>	
Per Occurrence	15,000,000
Aggregate Limit	17,000,000
<u>Educational Legal Liability for General Liability (deductible waived)</u>	
Errors and Omissions	
Per Occurrence	15,000,000
Aggregate Limit	15,000,000

Settled claims have not exceeded coverage in any of the past four years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2021, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *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 12 for the required OPEB disclosures.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

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

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

The Educational Service Center’s contractually required contribution to SERS was \$471,120 for fiscal year 2021. Of this amount \$54,200 is reported as an intergovernmental payable.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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 year of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate 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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit 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 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contribution to STRS was \$1,132,848 for fiscal year 2021. Of this amount \$150,340 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.12635740%	0.07777259%	
Prior Measurement Date	0.14974560%	0.08533888%	
 Change in Proportionate Share	 <u>-0.02338820%</u>	 <u>-0.00756629%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,357,544	\$18,818,199	\$27,175,743
Pension Expense	\$727,726	\$2,152,273	\$2,879,999

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$16,234	\$42,223	\$58,457
Changes of assumptions	0	1,010,174	1,010,174
Net difference between projected and actual earnings on pension plan investments	530,535	915,131	1,445,666
Changes in proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	40,006	270,911	310,917
Educational Service Center contributions subsequent to the measurement date	<u>471,120</u>	<u>1,132,848</u>	<u>1,603,968</u>
Total Deferred Outflows of Resources	<u>\$1,057,895</u>	<u>\$3,371,287</u>	<u>\$4,429,182</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$120,330	\$120,330
Changes in Proportionate Share and Difference between Educational Service Center contributions and proportionate share of contributions	<u>860,857</u>	<u>1,327,414</u>	<u>2,188,271</u>
Total Deferred Inflows of Resources	<u>\$860,857</u>	<u>\$1,447,744</u>	<u>\$2,308,601</u>

\$1,603,968 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	(\$501,980)	\$382,961	(\$119,019)
2023	(159,343)	105,037	(54,306)
2024	221,138	207,765	428,903
2025	<u>166,103</u>	<u>94,932</u>	<u>261,035</u>
Total	<u>(\$274,082)</u>	<u>\$790,695</u>	<u>\$516,613</u>

Actuarial Assumptions - SERS

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

Muskingum Valley Educational Service Center, Ohio

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Decrease (8.50%)</u>
Educational Service Center's proportionate share of the net pension liability	\$11,448,816	\$8,357,544	\$5,763,909

Changes between the Measurement Date and the Reporting Date At the April 2021 board meeting, the SERS Board lowered the investment rate of return from 7.50 percent to 7.00 percent, lowered inflation from 3.00 percent to 2.40 percent, reduced wage inflation from 3.50 percent to 3.25 percent, reduced COLA from 2.50 percent to 2.00 percent, along with certain other changes for the actuarial valuation as of June 30, 2021. The effects of these changes are unknown.

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

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

Muskingum Valley Educational Service Center, Ohio

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's proportionate share of the net pension liability	\$26,793,840	\$18,818,199	\$12,059,509

Changes between the Measurement Date and the Reporting Date At the June 2021 board meeting, the STRS Board approved a change in the discount rate from 7.45 percent to 7.00 percent for the June 30, 2021 valuation. The effect on the net pension liability is unknown.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

See Note 11 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. 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.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Educational Service Center's surcharge obligation was \$64,773.

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 \$64,773 for fiscal year 2021, which is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.12781760%	0.07777259%	
Prior Measurement Date	<u>0.15325570%</u>	<u>0.08533888%</u>	
 Change in Proportionate Share	 <u>-0.02543810%</u>	 <u>-0.00756629%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$2,777,897	\$0	\$2,777,897
Net OPEB (Asset)	\$0	(\$1,366,848)	(\$1,366,848)
OPEB Expense	(\$1,510)	(\$68,364)	(\$69,874)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$36,485	\$87,585	\$124,070
Changes of assumptions	473,534	22,564	496,098
Net difference between projected and actual earnings on OPEB plan investments	31,302	47,902	79,204
Changes in proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	241,552	81,525	323,077
Educational Service Center contributions subsequent to the measurement date	<u>64,773</u>	<u>0</u>	<u>64,773</u>
Total Deferred Outflows of Resources	<u>\$847,646</u>	<u>\$239,576</u>	<u>\$1,087,222</u>
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,412,753	\$272,257	\$1,685,010
Changes of assumptions	69,968	1,298,279	1,368,247
Changes in Proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	<u>672,612</u>	<u>27,886</u>	<u>700,498</u>
Total Deferred Inflows of Resources	<u>\$2,155,333</u>	<u>\$1,598,422</u>	<u>\$3,753,755</u>

\$64,773 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$248,578)	(\$340,051)	(\$588,629)
2023	(246,313)	(307,630)	(553,943)
2024	(246,681)	(296,256)	(542,937)
2025	(266,720)	(283,450)	(550,170)
2026	(252,675)	(63,650)	(316,325)
Thereafter	<u>(111,493)</u>	<u>(67,809)</u>	<u>(179,302)</u>
Total	<u>(\$1,372,460)</u>	<u>(\$1,358,846)</u>	<u>(\$2,731,306)</u>

Changes between the Measurement Date and the Reporting Date At the April 2021 board meeting, the SERS Board reduced the wage growth assumption from 3.50 percent to 3.25 percent and changed the health care rate of return to 7.00 percent for the actuarial valuation as of June 30, 2021. The effects of these changes are unknown.

Actuarial Assumptions - SERS

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

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

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

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

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

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

The 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 11.

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

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

	1% Decrease <u>(1.63%)</u>	Current Discount Rate <u>(2.63%)</u>	1% Increase <u>(3.63%)</u>
Educational Service Center's proportionate share of the net OPEB liability	\$3,400,074	\$2,777,897	\$2,283,263

	1% Decrease <u>(6.00 % decreasing to 3.75%)</u>	Current Trend Rate <u>(7.00 % decreasing to 4.75%)</u>	1% Increase <u>(8.00 % decreasing to 5.75%)</u>
Educational Service Center's proportionate share of the net OPEB liability	\$2,187,381	\$2,777,897	\$3,567,563

Actuarial Assumptions – STRS

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

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

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

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

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

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

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 11.

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

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Educational Service Center's proportionate share of the net OPEB asset	(\$1,189,250)	(\$1,366,848)	(\$1,517,541)
		<u>Current Trend Rate</u>	<u>1% Increase</u>
Educational Service Center's proportionate share of the net OPEB asset	(\$1,508,187)	(\$1,366,848)	(\$1,194,685)

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administration employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

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 180 days for employees working 182 days to 191 days, 192 days for employees working 192 days to 201 days, and 202 days for employees working 202 days. Upon retirement, payment is made for accrued, but unused sick leave credit to a maximum of 40 days for employees working 182 to 191 days and 45 days for employees working 192 days or more.

Insurance Benefits

The Educational Service Center provides medical/surgical insurance through Medical Mutual of Ohio for all eligible employees. The Educational Service Center pays between 80 to 100 percent of the cost of both the individual plans and the monthly family coverage premiums, depending on the plan selected by the employee. Premiums are paid from the same funds that pay the employees' salaries.

The Educational Service Center pays the total cost for life and dental insurance for its employees. Life insurance is provided through SCS Life, and dental insurance is provided through Coresource.

NOTE 14 - OPERATING LEASE

The Educational Service Center is obligated under an operating lease to Muskingum County for the rental of office space for a period of fifteen years. The operating lease does not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the Educational Service Center's financial statements. The following is a schedule by fiscal years of future minimum rental payments required under the operating lease that have remaining noncancelable lease terms in excess of one year as of June 30, 2021:

Fiscal Year Ending June 30,	Total
2022	\$19,401
2023	19,401
2024	19,401
2025	19,401
2026	19,401
2027-2031	97,005
2028-2032	97,005
Total	<u>\$291,015</u>

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<u>Outstanding 6/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2021</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net Pension Liability:					
STRS	\$18,872,181	\$0	\$53,982	\$18,818,199	\$0
SERS	8,959,542	0	601,998	8,357,544	0
Total Net Pension Liability	<u>27,831,723</u>	<u>0</u>	<u>655,980</u>	<u>27,175,743</u>	<u>0</u>
Net OPEB Liability - SERS	<u>3,854,060</u>	<u>0</u>	<u>1,076,163</u>	<u>2,777,897</u>	<u>0</u>
Sick Leave Benefits Payable	<u>1,426,751</u>	<u>0</u>	<u>417,943</u>	<u>1,008,808</u>	<u>0</u>
Total Governmental Activities Long Term Liabilities	<u>\$33,112,534</u>	<u>\$0</u>	<u>\$2,150,086</u>	<u>\$30,962,448</u>	<u>\$0</u>

Compensated absences will be paid from the General Fund. There are no repayment schedules for the net pension and the net OPEB liabilities. However, employer pension and OPEB contributions are made from the following funds: General Fund, and Public School Preschool, Alternative Education, State Support Team, IDEA-B, IDEA Preschool, and 21st Century Collaborative Special Revenue Funds. For additional information related to the net pension and net OPEB liabilities, see Notes 11 and 12.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

***Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Information Technology Center
Regional Council of Governments***

The Educational Service Center is a participant in the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The board exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designing management. Each participant’s control is limited to its representation on the board. OMERESA provides information technology and internet access to member districts, as well as cooperative purchasing programs.

During fiscal year 2021, the amount paid to OME-RESA from the Educational Service Center was \$27,807 for cooperative purchasing, technology, internet access, financial accounting services, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 Educational Service Centers and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for Educational Service Center administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The Educational Service Center membership fees were \$325 during fiscal year 2021. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Ohio Coalition for Equity and Adequacy of School Funding

The Ohio Coalition for Equity and Adequacy of School Funding is a regional council of governments established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives may be appointed by the Chairperson. The Center's membership fee was \$1,000 for fiscal year 2021. The Center serves as the fiscal agent of the Coalition and financial activity of the Coalition is reported as a custodial fund as discussed in Note 20.

NOTE 17 - INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Educational Service Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority

The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. Ninety-one school districts, educational service centers, and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages 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 public officials' errors and omissions liability insurance.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Ohio School Benefits Cooperative

The Educational Service Center participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool composed of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be Educational Service Center and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees, and propose to have certain other eligible Educational Service Center or groups of Educational Service Centers join them for the same purposes. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants.

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of Educational Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. On October 1, 2006, the Educational Service Center elected to participate in the joint insurance purchasing program for medical, prescription drug, and dental coverage.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2021.

Litigation

The Educational Service Center is not currently party to litigation.

NOTE 19 - SIGNIFICANT COMMITMENTS

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

Governmental Funds	
General Fund	\$85,125
Other Nonmajor Governmental Funds	<u>560,286</u>
Total All Funds	<u>\$645,411</u>

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 20 – EXTERNAL INVESTMENT POOL

Effective June 25, 2004, the Educational Service Center began to serve as fiscal agent for the Ohio Coalition of Equity and Adequacy of School Funding (the Coalition), a legally separate entity. The Educational Service Center pooled the moneys of the Coalition with its own for investment purposes. Participation in the pool is voluntary. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant will be allocated a pro rata share of each investment at fair value, along with the pro rata share of the interest that it earns. Condensed financial information for the investment pool follows:

Statement of Net Position

June 30, 2021

Assets:

Equity in Pooled Cash and Cash Equivalents \$5,875,581

Net Position Held in Trust for Pool Participants:

Internal Portion \$5,329,693

External Portion 545,888

Total Net Position Held in Trust for Pool Participants \$5,875,581

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Additions:

Interest Income \$15,087

Deductions:

Distributions paid to Participants (15,087)

Capital Transactions 1,948,641

Total Deductions 1,933,554

Total Increase in Net Position 1,948,641

Net Position at Beginning of Year 3,926,940

Net Position at End of Year \$5,875,581

Deposits

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.

The Educational Service Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Educational Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the Educational Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, as well as Governor's Emergency Education Relief (GEER) funding to support activities related to the COVID-19 pandemic. The Educational Service Center's investment portfolio and the investments of the pension and other employee benefit plans in which the Educational Service Center participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Educational Service Center's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 22 - SUBSEQUENT EVENTS

Foundation Funding

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

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Muskingum Valley Educational Service Center, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Eight Fiscal Years (1)**

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net Pension Liability	0.12635740%	0.14974560%	0.14604170%	0.13558160%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$8,357,544	\$8,959,542	\$8,364,079	\$8,100,701
Educational Service Center's Covered Payroll	\$4,290,571	\$5,167,067	\$4,935,644	\$4,390,600
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	194.79%	173.40%	169.46%	184.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*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

2017	2016	2015	2014
0.12755800%	0.12335640%	0.12256700%	0.12256700%
\$9,336,068	\$7,038,836	\$6,203,046	\$7,288,666
\$3,996,229	\$3,759,621	\$3,592,633	\$3,093,411
233.62%	187.22%	172.66%	235.62%
62.98%	69.16%	71.70%	65.52%

Muskingum Valley Educational Service Center, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Eight Fiscal Years (1)**

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net Pension Liability	0.07777259%	0.08533888%	0.08486673%	0.08153057%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$18,818,199	\$18,872,181	\$18,660,288	\$19,367,762
Educational Service Center's Covered Payroll	\$9,335,393	\$10,121,814	\$9,723,064	\$9,016,386
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	201.58%	186.45%	191.92%	214.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*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

2017	2016	2015	2014
0.08220609%	0.08196196%	0.07795173%	0.08196196%
\$27,543,634	\$22,651,888	\$18,960,558	\$22,585,693
\$8,603,150	\$8,690,129	\$8,127,986	\$7,579,840
320.16%	260.66%	233.27%	297.97%
66.80%	72.10%	74.70%	69.30%

Muskingum Valley Educational Service Center, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1)**

	2021	2020	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.12781760%	0.15325570%	0.14776180%	0.13770110%	0.12918260%
Educational Service Center's Proportionate Share of the Net OPEB Liability	\$2,777,897	\$3,854,060	\$4,099,311	\$3,695,536	\$3,682,182
Educational Service Center's Covered Payroll	\$4,290,571	\$5,167,067	\$4,935,644	\$4,390,600	\$3,996,229
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	64.74%	74.59%	83.06%	84.17%	92.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*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

Muskingum Valley Educational Service Center, Ohio
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 Five Fiscal Years (1)**

	2021	2020	2019	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.07777259%	0.08533888%	0.08486673%	0.08153057%	0.08228609%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,366,848)	(\$1,413,416)	(\$1,363,721)	\$3,181,022	\$4,400,681
Educational Service Center's Covered Payroll	\$9,335,393	\$10,121,814	\$9,723,064	\$9,016,386	\$8,603,150
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.64%	-13.96%	-14.03%	35.28%	51.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

*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

Muskingum Valley Educational Service Center, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$471,120	\$600,680	\$697,554	\$666,312
Contributions in Relation to the Contractually Required Contribution	(471,120)	(600,680)	(697,554)	(666,312)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center Covered Payroll (1)	\$3,365,143	\$4,290,571	\$5,167,067	\$4,935,644
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$64,773	\$66,489	\$118,421	\$102,740
Contributions in Relation to the Contractually Required Contribution	(64,773)	(66,489)	(118,421)	(102,740)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.92%</u>	<u>1.55%</u>	<u>2.29%</u>	<u>2.08%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.92%</u>	<u>15.55%</u>	<u>15.79%</u>	<u>15.58%</u>

(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

2017	2016	2015	2014	2013	2012
\$614,684	\$559,472	\$495,518	\$497,939	\$428,128	\$312,685
(614,684)	(559,472)	(495,518)	(497,939)	(428,128)	(312,685)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,390,600	\$3,996,229	\$3,759,621	\$3,592,633	\$3,093,411	\$2,324,796
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
\$75,592	\$65,009	\$94,333	\$65,716	\$59,455	\$56,907
(75,592)	(65,009)	(94,333)	(65,716)	(59,455)	(56,907)
\$0	\$0	\$0	\$0	\$0	\$0
1.72%	1.63%	2.51%	1.83%	1.92%	2.45%
15.72%	15.63%	15.69%	15.69%	15.76%	15.90%

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$1,132,848	\$1,306,955	\$1,417,054	\$1,361,229
Contributions in Relation to the Contractually Required Contribution	<u>(1,132,848)</u>	<u>(1,306,955)</u>	<u>(1,417,054)</u>	<u>(1,361,229)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center Covered Payroll	\$8,091,771	\$9,335,393	\$10,121,814	\$9,723,064
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability (Asset)				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$1,262,294	\$1,204,441	\$1,216,618	\$1,056,638	\$985,379	\$792,671
(1,262,294)	(1,204,441)	(1,216,618)	(1,056,638)	(985,379)	(792,671)
\$0	\$0	\$0	\$0	\$0	\$0
\$9,016,386	\$8,603,150	\$8,690,129	\$8,127,986	\$7,579,840	\$6,097,466
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
\$0	\$0	\$0	\$81,280	\$75,799	\$60,974
0	0	0	(81,280)	(75,799)	(60,974)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Muskingum Valley Educational Service Center, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported 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 fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions 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 2018, 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 year 2017 and prior are presented below:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	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	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	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.

Muskingum Valley Educational Service Center, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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

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 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 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.

Muskingum Valley Educational Service Center, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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.

Supplemental Information

Muskingum Valley Educational Service Center, Ohio
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$853,682	\$853,682	\$807,588	(\$46,094)
Investment Earnings	30,000	30,000	20,836	(9,164)
Tuition and Fees	9,790,370	9,790,370	9,318,893	(471,477)
Charges for Services	4,790,147	4,790,147	4,181,034	(609,113)
Extracurricular Activities	8,500	8,500	3,537	(4,963)
Rent	16,800	16,800	15,750	(1,050)
Gifts and Donations	2,679	2,679	1,765	(914)
Miscellaneous	23,139	23,139	461,223	438,084
Total Revenues	15,515,317	15,515,317	14,810,626	(704,691)
Expenditures				
Current:				
Instruction:				
Regular	743,258	743,258	666,342	76,916
Special	6,174,655	6,174,655	5,104,541	1,070,114
Student Intervention Services	837,005	837,005	810,458	26,547
Support Services:				
Pupils	4,114,391	4,114,391	3,998,819	115,572
Instructional Staff	2,144,509	2,144,509	2,110,242	34,267
Board of Education	46,061	46,061	18,848	27,213
Administration	697,540	697,540	613,577	83,963
Fiscal	428,292	428,292	444,618	(16,326)
Operation and Maintenance of Plant	40,778	40,778	39,929	849
Pupil Transportation	423	423	0	423
Central	437,104	437,104	402,358	34,746
Operation of Non-Instructional Services:				
Community Services	56,049	56,049	57,887	(1,838)
Extracurricular Activities	13,419	13,419	3,047	10,372
Total Expenditures	15,733,484	15,733,484	14,270,666	1,462,818
Excess of Revenues Over (Under) Expenditures	(218,167)	(218,167)	539,960	758,127
Other Financing Source				
Proceeds from Sale of Capital Assets	0	0	365	365
Net Change in Fund Balances	(218,167)	(218,167)	540,325	758,492
Fund Balance Beginning of Year	3,591,851	3,591,851	3,591,851	0
Prior Year Encumbrances Appropriated	128,553	128,553	128,553	0
Fund Balance End of Year	\$3,502,237	\$3,502,237	\$4,260,729	\$758,492

See notes to supplemental information
See accountant's comilation report

Muskingum Valley Educational Service Center, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Tele-Mental Health Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2021*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$0	\$0	\$1,150,000	\$1,150,000
Expenditures	0	0	0	0
Net Change in Fund Balances	0	0	1,150,000	1,150,000
Fund Balance Beginning of Year	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$1,150,000	\$1,150,000

See notes to supplemental information
See accountants compilation report

Muskingum Valley Educational Service Center, Ohio

*Notes to the Supplemental Information
For the Fiscal Year Ended June 30, 2021*

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 adopts its budget on or before the start of the new fiscal year. Included in the budget are estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balances and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

Appropriations

The annual appropriation resolution is enacted by the Educational Service Center at the fund level of expenditures, which are the levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Educational Service Center. The Educational Service Center may pass supplemental appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

Budgetary Basis of Accounting

The Educational Service Center's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP).

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 unassigned fund balance (GAAP basis).

Muskingum Valley Educational Service Center, Ohio

*Notes to the Supplemental Information
For the Fiscal Year Ended June 30, 2021*

4. Reclassification of excess of expenditures over revenues into financial statement fund types represents the perspective difference between GAAP basis statements and budget basis statements due to the combining of additional funds (Public School Support) on a GAAP basis but not including them on the budget basis.
5. Prepaid items and negative cash advances to (from) other funds are reported on the balance sheet (GAAP basis) but not on the budget basis.
6. Fair market value changes are reported on the “Statement of Revenues, Expenditures, and Changes in Fund Balance” (GAAP Basis), but not on a budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Tele-Mental Health Grant Special Revenue Fund:

Net Change in Fund Balance

	General Fund	Tele-Mental Health Grant
GAAP Basis	\$1,246,491	\$0
Net Adjustment for:		
Revenue Accruals	(250,647)	1,150,000
Expenditure Accruals	(464,472)	0
Fair Market Value:		
Beginning of Fiscal Year	22,288	0
End of Fiscal Year	11,549	0
Prepaid Items:		
Beginning of Fiscal Year	(272,818)	0
End of Fiscal Year	226,527	0
Negative Cash Advances to (from) Other Funds		
Beginning of Fiscal Year	(458,135)	0
End of Fiscal Year	608,879	0
To reclassify excess of revenues over expenditures into financial statement fund types	(47,713)	0
Encumbrances	<u>(81,624)</u>	<u>0</u>
Budget Basis	<u>\$540,325</u>	<u>\$1,150,000</u>

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**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Department of Education:</i>			
COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity	21.019	2021	<u>\$20,867</u>
Total U.S. Department of Education			20,867
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2021 2020	22,647 <u>93</u>
Total Title I Grants to Local Educational Agencies			22,740
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	2021 2020	1,195,664 <u>153,381</u>
Total Special Education - Grants to States			1,349,045
Special Education - Preschool Grants	84.173	2021 2020	139,239 <u>6,544</u>
Total Special Education - Preschool Grants			145,783
Total Special Education Cluster (IDEA)			1,494,828
School-Based Mental Health Service	84.184H	2021	37,652
Twenty - First Century Community Learning Centers	84.287	2021 2020	715,332 <u>82,605</u>
Total Twenty - First Century Community Learning Centers			797,937
Supporting Effective Instruction State Grants	84.367	2020	7,459
Striving Readers Comprehensive Literacy Program	84.371	2021 2020	326,470 <u>15,875</u>
Total Striving Readers Comprehensive Literacy Program			342,345
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund	84.425C	2021	197,206
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	2021	<u>129,563</u>
Total COVID-19 Education Stabilization Fund			326,769
Total U.S. Department of Education			<u>3,029,730</u>
Total Expenditures of Federal Awards			<u><u>\$3,050,597</u></u>

The accompanying notes are an integral part of this Schedule.

**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Muskingum Valley Educational Service Center (the Educational Service Center) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Educational Service Center, it is not intended to and does not present the financial position or changes in net position of the Educational Service Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The Educational Service Center did not provide funds to subrecipients during the audit period.



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

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and 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 Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated May 25, 2022. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Educational Service Center.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Educational Service Center's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Educational Service Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Educational Service Center's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Educational Service Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Educational Service Center's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 25, 2022

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Muskingum Valley Educational Service Center's, Muskingum County, Ohio (the Educational Service Center), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Muskingum Valley Educational Service Center's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the Educational Service Center's major federal programs.

Management's Responsibility

The Educational Service Center's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Educational Service Center's compliance for the Educational Service Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Educational Service Center's major programs. However, our audit does not provide a legal determination of the Educational Service Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Muskingum Valley Educational Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Educational Service Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 25, 2022

**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA) - #84.027 and #84.173 Twenty-First Century Community Learning Centers - #84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER

MUSKINGUM 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 6/14/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov