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

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

OHIO AUDITOR OF STATE
KEITH FABER

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

Board of Education
Clermont County Educational Service Center
2400 Clermont Center Drive
Batavia, Ohio 45103

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

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

Keith Faber
Auditor of State
Columbus, Ohio

**July 03, 2023**

**This page intentionally left blank.**

**Clermont County Educational Service Center**
**Clermont County**
*Table of Contents*
*For the Fiscal Years Ended June 30, 2022 and 2021*

Title Page

**Clermont County Educational Service Center**
**Clermont County**
*Table of Contents*
*For the Fiscal Years Ended June 30, 2022 and 2021*

**This page intentionally left blank.**

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

**Independent Auditor's Report**

Board of Education
Clermont County Educational Service Center
2400 Clermont Center Drive
Batavia, Ohio 45103

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

***Opinions***

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Clermont County Educational Service Center, Clermont County, Ohio, as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

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

As discussed in Note 15 to the financial statements for the year ended June 30, 2021, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities." The Educational Service Center restated its beginning net position for the Fiduciary fund as a result of this implementation. We did not modify our opinion regarding this matter.

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

As discussed in Note 15 to the financial statements for the year ended June 30, 2022, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases." The Educational Service Center restated its beginning net position as a result of this implementation. We did not modify our opinion regarding this matter.

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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the Center's proportionate share of the net pension liability, the schedules of the Center's proportionate share of the net OPEB liability (asset), and the schedules of Center contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The budgetary comparison information for the fiscal year ended June 30, 2022 and June 30, 2021 is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Millhuff-Stang CPA, Inc.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 28, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

- The Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2022 by $9,739,698.

- The Center's net position of governmental activities increased $2,215,952.

- General revenues accounted for $64,005 in revenue or .3 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $18,358,139 or 99.7 percent of total revenues of $18,422,144.

- The Center had $16,206,192 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services and sales and operating grants and contributions.

## USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

## REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Position and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflow of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net position and changes to net position. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Position and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. All of the Center's programs and services are reported here including instruction and support services.

## REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The analysis of the Center's funds begins on page 9. Fund financial statements provide detailed information about the Center's major fund – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major fund is the General Fund.

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

## THE CENTER AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2022 compared to 2021.

Table 1
Net Position
Governmental Activities

| | 2022 | 2021 |
|---|---|---|
| Assets: | | |
| Current and Other Assets | $ 12,286,106 | $ 12,045,687 |
| Net OPEB Asset | 1,435,690 | 1,183,936 |
| Capital Assets, Net | 163,930 | 433,115 |
| Total Assets | 13,885,726 | 13,662,738 |
| Deferred Outflows of Resources: | | |
| Pensions | 4,588,995 | 3,746,760 |
| OPEB | 650,371 | 660,922 |
| Total Deferred Outflows of Resources | 5,239,366 | 4,407,682 |
| Liabilities: | | |
| Current and Other Liabilities | 1,729,948 | 1,596,681 |
| Long-Term Liabilities: | | |
| Due Within One Year | 85,963 | 214,608 |
| Due in More than One Year: | | |
| Net Pension Liabilities | 12,043,268 | 22,112,487 |
| Net OPEB Liabilities | 1,760,474 | 1,905,912 |
| Other Amounts | 518,860 | 520,585 |
| Total Liabilities | 16,138,513 | 26,350,273 |
| Deferred Inflows of Resources | | |
| Pensions | 9,759,307 | 903,497 |
| OPEB | 2,966,970 | 2,772,300 |
| Total Deferred Inflows of Resources | 12,726,277 | 3,675,797 |
| Net Position: | | |
| Net Investment in Capital Assets | 110,275 | 200,682 |
| Restricted | 53,885 | 113,425 |
| Unrestricted | (9,903,858) | (12,269,757) |
| Total Net Position | $ (9,739,698) | $ (11,955,650) |

The net pension liability (NPL) is the largest single liability reported by the Center at June 30, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the Center's proportionate share of each plan's collective:

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension 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. If there is a net OPEB asset, it will be reported in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

Total net position of the Center increased $2,215,952. The increase to current and other assets is primarily due to increases in cash and intergovernmental receivables. The increase in cash is due to higher revenues received than expenses paid. Capital assets, net increased due to current year additions which were partially offset by depreciation. Deferred outflows of resources increased primarily due to pension activity. Current and other liabilities increased slightly due to increases in accrued wages and benefits which was partially offset by decreases in intergovernmental payables. Long-term liabilities decreased primarily due to net pension liabilities. Deferred inflows of resources increased due primarily to pension and OPEB activity.

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

Table 2
Changes in Net Position
Governmental Activities

| | 2022 | 2021 |
|---|---|---|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | $ 17,472,386 | $ 16,857,780 |
| Operating Grants and Contributions | 885,753 | 1,164,894 |
| Total Program Revenues | 18,358,139 | 18,022,674 |
| General Revenues: | | |
| Grants and Entitlements not Restricted | - | 2,500 |
| Investment Earnings | 24,315 | 14,242 |
| Miscellaneous | 39,690 | 514,119 |
| Total General Revenues | 64,005 | 530,861 |
| Total Revenues | 18,422,144 | 18,553,535 |
| Program Expenses | | |
| Instruction: | | |
| Special | 5,270,805 | 6,308,571 |
| Support Services: | | |
| Pupils | 9,265,286 | 10,457,201 |
| Instructional Staff | 605,608 | 725,498 |
| Board of Education | 272,286 | 182,781 |
| Administration | 332,416 | 517,116 |
| Fiscal | 309,265 | 300,042 |
| Central | 100,340 | 70,740 |
| Interest and Fiscal Charges | 18,901 | - |
| Operation of Non-Instructional Services | 31,285 | 34,772 |
| Total Expenses | 16,206,192 | 18,596,721 |
| Increase (Decrease) in Net Position | 2,215,952 | (43,186) |
| Net Position at Beginning of Year - As Restated - See Note 15 | (11,955,650) | N/A |
| Net Position at End of Year | $ (9,739,698) | $ (11,955,650) |

Charges for Services revenue increased from 2021 to 2022. Expenses decreased from 2021 to 2022.

## Governmental Activities

Charges for services and sales comprised 95 percent of revenue for governmental activities, operating grants and contributions comprised 5 percent of revenue for governmental activities of the Center for fiscal year 2022, while general revenues comprised less than 1 percent of total revenues.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Special instruction comprised 33 percent of governmental program expenses with support services for pupils comprising 57 percent of governmental expenses and support services for instructional staff comprising 4 percent of government expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | $ 5,270,805 | $ (1,163,794) | $ 6,308,571 | $ (217,610) |
| Support Services | 10,885,201 | (996,422) | 12,253,378 | 795,624 |
| Operation of Non-Instructional Services | 31,285 | (10,632) | 34,772 | (3,967) |
| Interest and Fiscal Charges | 18,901 | 18,901 | | |
| Total Expenses | $ 16,206,192 | $ (2,151,947) | $ 18,596,721 | $ 574,047 |

## THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $18,613,795 and expenditures of $18,314,992. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased in the amount of $284,523 as a result of revenues exceeding expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2022, the Center had $163,930 invested in its capital assets. Table 4 shows the fiscal year 2022 balances compared to 2021.

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

| | 2022 | 2021 |
|---|---|---|
| Furniture and Equipment | $163,930 | $57,386 |
| Totals | $163,930 | $57,386 |

Changes in capital assets from the prior year resulted from the addition of lease items and depreciation expense. See Note 4 of the notes to the basic financial statements for more detailed information related to capital assets.

### Debt

At June 30, 2022, the Center did not have any outstanding debt obligations. For information regarding other long-term obligations, please see Note 5 of the notes to the basic financial statements.

## CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Al Fleckinger, Treasurer, Clermont County Educational Service Center, 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

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

| | Governmental Activities |
|---|---|
| ***ASSETS:*** | |
| Current Assets: | |
| Equity in Pooled Cash, Cash Equivalents, and Investments | $ 11,037,467 |
| Accounts Receivable | 1,006,410 |
| Intergovernmental Receivable | 4,379 |
| Prepaid Items | 237,850 |
| Noncurrent Assets: | |
| Net OPEB Asset | 1,435,690 |
| Depreciable Capital Assets, net | 163,930 |
| *Total Assets* | 13,885,726 |
| ***DEFERRED OUTFLOWS OF RESOURCES:*** | |
| Pensions: | |
| State Teachers Retirement System | 3,990,543 |
| School Employees Retirement System | 598,452 |
| OPEB: | |
| State Teachers Retirement System | 143,192 |
| School Employees Retirement System | 507,179 |
| *Total Deferred Outflows of Resources* | 5,239,366 |
| ***LIABILITIES:*** | |
| Current Liabilities: | |
| Accounts Payable | 11,525 |
| Accrued Wages and Benefits | 1,410,957 |
| Intergovernmental Payable | 307,466 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities: | |
| Due Within One Year | 85,963 |
| Due in More Than One Year | |
| Net Pension Liability | 12,043,268 |
| Net OPEB Liability | 1,760,474 |
| Other Amounts Due in More Than One Year | 518,860 |
| *Total Liabilities* | 16,138,513 |
| ***DEFERRED INFLOWS OF RESOURCES*** | |
| Pensions: | |
| State Teachers Retirement System | 7,864,061 |
| School Employees Retirement System | 1,895,246 |
| OPEB: | |
| State Teachers Retirement System | 1,605,886 |
| School Employees Retirement System | 1,361,084 |
| *Total Deferred Inflows of Resources* | 12,726,277 |
| ***NET POSITION:*** | |
| Net Investment in Capital Assets | 110,275 |
| Restricted for Other Purposes | 53,885 |
| Unrestricted | (9,903,858) |
| *Total Net Position* | $ (9,739,698) |

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

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

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Special | $ 5,270,805 | $ 5,659,297 | $ 775,302 | $ 1,163,794 |
| Support Services: | | | | |
| Pupils | 9,265,286 | 10,288,043 | 32,814 | 1,055,571 |
| Instructional Staff | 605,608 | 541,476 | 39,340 | (24,792) |
| Board of Education | 272,286 | 157,203 | - | (115,083) |
| Administration | 332,416 | 366,806 | - | 34,390 |
| Fiscal | 309,265 | 349,339 | - | 40,074 |
| Central | 100,340 | 104,802 | 1,800 | 6,262 |
| Operation of Non-Instructional Services | 31,285 | 5,420 | 36,497 | 10,632 |
| Interest and Fiscal Charges | 18,901 | - | - | (18,901) |
| *Total Governmental Activities* | $ 16,206,192 | $ 17,472,386 | $ 885,753 | 2,151,947 |
| General Revenues: | | | | |
| Investment Earnings | | | | 24,315 |
| Miscellaneous | | | | 39,690 |
| *Total General Revenues* | | | | 64,005 |
| *Change in Net Position* | | | | 2,215,952 |
| *Net Position Beginning of Year - As Restated - See Note 15* | | | | (11,955,650) |
| *Net Position End of Year* | | | | $ (9,739,698) |

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

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

| | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| ASSETS: | | | |
| Equity in Pooled Cash, Cash Equivalents and Investments | $ 10,983,582 | $ 53,885 | $ 11,037,467 |
| Accounts Receivable | 1,006,410 | - | 1,006,410 |
| Prepaid Items | 237,850 | - | 237,850 |
| Interfund Receivable | 3,248 | | 3,248 |
| Intergovernmental Receivable | - | 4,379 | 4,379 |
| *Total Assets* | $ 12,231,090 | $ 58,264 | $ 12,289,354 |
| LIABILITIES: | | | |
| Accounts Payable | $ 10,418 | $ 1,107 | $ 11,525 |
| Accrued Wages and Benefits | 1,410,957 | - | 1,410,957 |
| Interfund Payable | - | 3,248 | 3,248 |
| Intergovernmental Payable | 307,442 | 24 | 307,466 |
| *Total Liabilities* | 1,728,817 | 4,379 | 1,733,196 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable Revenue - Grants | - | 3,272 | 3,272 |
| *Total Deferred Inflows of Resources* | - | 3,272 | 3,272 |
| FUND BALANCES: | | | |
| Nonspendable | 237,850 | - | 237,850 |
| Restricted | - | 53,889 | 53,889 |
| Committed | 498,014 | - | 498,014 |
| Assigned | 65,625 | - | 65,625 |
| Unassigned (Deficit) | 9,700,784 | (3,276) | 9,697,508 |
| *Total Fund Balances* | 10,502,273 | 50,613 | 10,552,886 |
| *Total Liabilities, Deferred Inflows of Resources and Fund Balances* | $ 12,231,090 | $ 58,264 | $ 12,289,354 |

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

## Clermont County Educational Service Center

*Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities*
*June 30, 2022*

| | | | |
|---|---|---|---|
| **Total Governmental Fund Balances** | | $ | 10,552,886 |
| 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. | | | 163,930 |
| Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. | | | |
| Intergovernmental | | | 3,272 |
| The net pension and OPEB liabilities (assets) are not due and payable in the current period; therefore, the liabilities (assets) and related deferred inflows/outflows are not reported in the funds. | | | |
| Deferred outflows of resources related to pensions | 4,588,995 | | |
| Deferred outflows of resources related to OPEB | 650,371 | | |
| Deferred inflows of resources related to pensions | (9,759,307) | | |
| Deferred inflows of resources related to OPEB | (2,966,970) | | |
| Net pension liability | (12,043,268) | | |
| Net OPEB asset | 1,435,690 | | |
| Net OPEB liability | (1,760,474) | | |
| Total | | | (19,854,963) |
| Long-term liabilities, including lease obligations and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Lease obligations | | | (53,655) |
| Compensated absences | | | (551,168) |
| **Net Position of Governmental Activities** | | $ | (9,739,698) |

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

**Clermont County Educational Service Center**

*Statement of Revenues, Expenditures and Changes in Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2022*

| | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| REVENUES: | | | |
| Intergovernmental | $ 714,123 | $ 245,450 | $ 959,573 |
| Interest | 24,315 | - | 24,315 |
| Tuition and Fees | 17,022,947 | - | 17,022,947 |
| Gifts and Donations | - | - | - |
| Charges for Services and Sales | 561,850 | 5,420 | 567,270 |
| Miscellaneous | 39,690 | - | 39,690 |
| *Total Revenues* | 18,362,925 | 250,870 | 18,613,795 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Special | 5,704,812 | 60,667 | 5,765,479 |
| Support Services: | | | |
| Pupils | 10,481,229 | 32,822 | 10,514,051 |
| Instructional Staff | 560,413 | 110,016 | 670,429 |
| Board of Education | 137,710 | - | 137,710 |
| Administration | 506,477 | - | 506,477 |
| Fiscal | 382,651 | - | 382,651 |
| Central | 107,431 | 1,800 | 109,231 |
| Operation of Non-Instructional Services | - | 31,285 | 31,285 |
| Debt Service: | | | |
| Principal | 178,778 | - | 178,778 |
| Interest | 18,901 | - | 18,901 |
| *Total Expenditures* | 18,078,402 | 236,590 | 18,314,992 |
| *Net Change in Fund Balances* | 284,523 | 14,280 | 298,803 |
| *Fund Balances Beginning of Year* | 10,217,750 | 36,333 | 10,254,083 |
| *Fund Balance at End of Year* | $ 10,502,273 | $ 50,613 | $ 10,552,886 |

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

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

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 298,803 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset depreciation exceeded additions in the current period. | | |
| Current year depreciation | (269,185) | |
| Total | | (269,185) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Intergovernmental | (73,820) | |
| Customer Sales and Services | (117,831) | |
| Total | | (191,651) |
| Proceeds from the sale of bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. | | |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 1,611,357 |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 53,688 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | 444,287 |
| In the statement of activities, principal payments on outstanding obligations are recorded as reductions in liabilities, while in the governmental funds these payments are recorded as expenditures | | 178,778 |
| Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability (asset) are reported as OPEB expense in the statement of activities. | | 138,283 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| (Increase) in Compensated Absences | | (48,408) |
| **Net Change in Net Position of Governmental Activities** | | $ 2,215,952 |

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

## NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

*Description of the Entity:*

The Center is a Governing Board of an Educational Service Center (the “Center”) as defined by Am. Sub. H.B. 117, 121st General Assembly. The Center is an administrative entity providing supervision and certain other services to the local school districts located within Clermont County. It currently operates under an elected Board of Education (5 members) and provides special education to handicapped students. The Center has its own fiscal officer and is considered a separate entity and issues its financial statements.

*Reporting Entity:*

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization’s governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization’s resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2022, the Center had no component units.

The Center is associated with three jointly governed organizations, one public entity risk pool, and one insurance purchasing pool. These organizations are discussed in Note 10, Note 11, and Note 12 to the basic financial statements. These organizations are:

Jointly Governed Organization:
- Hamilton Clermont Cooperative Information Technology Center (HCC)
- Unified Purchasing Cooperative of the Ohio River Valley
- Center for Collaborative Solutions

Public Entity Shared Risk Pool:
- Southwestern Ohio Educational Purchasing Council (SOEPC)

Insurance Purchasing Pool:
- Ohio SchoolComp Workers’ Compensation Group Retrospective Rating Plan

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clermont County Educational Service Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Center’s significant accounting policies are described below:

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Fund Accounting

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

*Governmental Fund Types:*

Governmental funds are those through which all governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities and deferred inflows of resources are accounted for through governmental funds. The following is the Center's major governmental fund:

> *General Fund* - The General Fund is the general operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the Center for any purpose provided it is expended or transferred according to the school laws of Ohio.

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

B. Basis of Presentation

The 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 Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center. 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 Center.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Fund Financial Statements*:

During the year, the Center segregates transactions related to certain 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 Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources associated with the operation of the Center are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

*Basis of Accounting* **-** Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows/inflows related to pensions/OPEB, and the recording of net pension/OPEB liabilities (asset).

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means that the amount of the transaction can be determined and available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

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

The modified accrual basis is utilized for reporting purposes by the governmental fund types. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, grants, tuition and fees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Deferred Outflows and Deferred Inflows of Resources* - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center reports a deferred outflow of resources for pensions/OPEB. The deferred outflows of resources related to the pensions and OPEB are explained in Note 6 and 7, respectively. The Center also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts normally would consist of intergovernmental receivables which are not collected in the available period and pensions/OPEB. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet for 2022 is due to pensions, OPEB and also for unavailable grant revenue. Deferred inflows of resources related to pensions and OPEB are reported on the Statement of Net Position.

D. Cash, Cash Equivalents, and Investments

To improve cash management, the Center maintains a cash and investment pool used by all funds. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the financial statements.

During fiscal year 2022, investments were limited to STAR Ohio. Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to $24,315.

E. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets 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 year. Donated capital assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of $2,000. The 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Within the capital asset category, the Center is also reporting certain leased assets in accordance with the implementation of GASB 87 as more fully described in Note 15. All reported capital assets and leased assets are depreciated and/or amortized. Depreciation and amortization are computed using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|---|---|
| Furniture and Equipment | 5-10 years |
| Leased Assets | 3 years |

F. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

G. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. During the course of normal operations the Center had transactions between funds. The most significant include routine transfers of resources, from one fund to another fund, through which resources to be expended are recorded as transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

The Center did not report any transfers for 2022.

H. Compensated Absences

GASB Statement No. 16, “Accounting for Compensated Absences”, specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee’s right to receive compensation is attributable to services already rendered.

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

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 Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

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 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 Center’s termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 20 years of current service with the Center and for certified employees and administrators after 20 years of service.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

The Center reported no matured compensated absences payable as of June 30,2022.

I. 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, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. The Center had long-term obligations at June 30, 2022 as disclosed in Note 5.

J. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

As of June 30, 2022, there was no amount of net position restricted by enabling legislation.

K. Fund Balance

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

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

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

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the 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 policies of the Center Board.

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

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

### L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

### M. Interfund Receivables/Payables

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

### N. Prepaid Items

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

### O. 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 pension/OPEB expense, information about the fiduciary net position of the pension 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.

## NOTE 3 - DEPOSITS AND INVESTMENTS

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments." State statutes classify monies held by the Center into three categories.

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

**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

Inactive deposits are public deposits that the Center 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 monies 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 bonds and other obligations of political subdivisions of the State of Ohio;
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);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty 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.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits*** Custodial credit risk is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $2,473,655 of the Center's bank balance of $2,896,780 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the Federal Deposit Insurance Corporation.

The Center does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the 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.

***Investments*** The Center had the following investments at June 30, 2022:

| | Fair Value | Matures in Less than One Year | Matures 1 - 2 Years | Matures 3 - 5 Years |
|---|---|---|---|---|
| STAR Ohio | $ 8,735,457 | $ 8,735,457 | $ - | $ - |

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2022. As discussed further in Note 2D, STAR Ohio is reported at its share price.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investment policy does not address credit risk beyond the requirements of state law. The Center limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit, U.S. Treasury and Agency Securities, or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The Center's investment policy does not address concentration of credit risk beyond the requirements of the Ohio Revised Code. The Center has invested 100 percent in STAR Ohio.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center's investment policy does not address custodial credit risk beyond the requirements of state law. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

**NOTE 4 - CAPITAL ASSETS**

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

| | Balance 6/30/2021 | Additions | Deletions | Balance 6/30/2022 |
|---|---|---|---|---|
| *Governmental Activities:* | | | | |
| Capital Assets Being Depreciated | | | | |
| Leased Assets * | $ 750,472 | $ - | $ - | $ 750,472 |
| Furniture and Equipment | 303,214 | 0 | 0 | 303,214 |
| Total Capital Assets, Being Depreciated | 1,053,686 | 0 | 0 | 1,053,686 |
| | | | | |
| Less Accumulated Depreciation and Amortization: | | | | |
| Leased Assets * | (374,743) | (250,157) | 0 | (624,900) |
| Furniture and Equipment | (245,828) | (19,028) | 0 | (264,856) |
| Total Accumulated Depreciation | (620,571) | (269,185) | 0 | (889,756) |
| | | | | |
| Total Capital Assets Being Depreciated, Net | 433,115 | (269,185) | 0 | 163,930 |
| | | | | |
| Governmental Activities Capital Assets, Net | $ 433,115 | $ (269,185) | $ - | $ 163,930 |

* The Center Implemented GASB Statement Number 87 in fiscal year 2022. This implementation resulted in the Center recording $750,472 in leased assets and $374,743 in accumulated amortization of leased assets as of the beginning of fiscal year 2022.

Depreciation expense of $19,028 and amortization expense of $250,157 was charged to governmental functions as follows:

| | |
|---|---|
| Special Instruction | $131,417 |
| Support Services: | |
| Board of Education | 135,912 |
| Instructional Staff | 1,856 |
| Total Expenses: | $269,185 |

## NOTE 5 - LONG-TERM LIABILITIES

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

| | Balance at 6/30/2021 | Increase | Decrease | Balance at 6/30/2022 | | Amount Due In One Year |
|---|---|---|---|---|---|---|
| Net Pension Liability | | | | | | |
| STRS | $16,299,892 | $ - | $ 7,593,561 | $ 8,706,331 | | $ - |
| SERS | 5,812,595 | - | 2,475,658 | 3,336,937 | | - |
| Total Net Pension Liability | 22,112,487 | - | 10,069,219 | 12,043,268 | | - |
| Net OPEB Liability | | | | | | |
| STRS | $ - | $ - | $ - | $ - | * | $ - |
| SERS | 1,905,912 | - | 145,438 | 1,760,474 | | - |
| Total Net OPEB Liability | 1,905,912 | - | 145,438 | 1,760,474 | | - |
| Lease Obligations (1) | 232,433 | - | 178,778 | 53,655 | | 53,655 |
| Compensated Absences | 502,760 | 1,374,966 | 1,326,558 | 551,168 | | 32,308 |
| Total Long-Term Liabilities | $24,753,592 | $1,374,966 | $ 11,719,993 | $14,408,565 | | $ 85,963 |

*OPEB for STRS has a Net OPEB asset in the amount of $1,435,690 as of June 30, 2022.

(1) This balance was restated due to the implementation of GASB Statement No. 87. See Note 15 for additional information.

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General Fund being the most significant fund.

Leases Payable - The Center has entered into several lease agreements for the use of right to use buildings. Due to the implementation of GASB Statement No. 87, the Center is reporting an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

The following is a schedule of future lease payments under the lease agreements:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $53,655 | $7,051 | $60,706 |

## NOTE 6 - DEFINED BENEFIT PENSION PLANS

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

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

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and 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 and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - School Employees Retirement System (SERS)** (continued)

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2022.

The Center's contractually required contribution to SERS was $432,248 for fiscal year 2022. Of this amount $41,781 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – 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.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - State Teachers Retirement System (STRS)** (continued)

Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2026 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the 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 after termination of employment at age 50 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS Ohio was $1,179,109 for fiscal year 2022. Of this amount $194,906 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability - Current Year | 0.0904390% | 0.068093229% | |
| Proportionate Share of the Net Pension Liability - Prior Year | 0.0878804% | 0.067364830% | |
| Change in Proportionate Share | 0.0025586% | 0.000728399% | |
| Proportion of the Net Pension Liability | $3,336,937 | $8,706,331 | $12,043,268 |
| Pension Expense (Gain) | ($156,205) | ($288,082) | ($444,287) |

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

| **Deferred Outflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $322 | $268,984 | $269,306 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 95,616 | 127,158 | 222,774 |
| Changes of assumptions | 70,266 | 2,415,292 | 2,485,558 |
| Center contributions subsequent to the measurement date | 432,248 | 1,179,109 | 1,611,357 |
| Total | $598,452 | $3,990,543 | $4,588,995 |

| **Deferred Inflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $86,540 | $54,571 | $141,111 |
| Differences between projected and actual investment earnings | 1,718,619 | 7,503,191 | 9,221,810 |
| Changes of assumptions | | | |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 90,087 | 306,299 | 396,386 |
| Total | $1,895,246 | $7,864,061 | $9,759,307 |

$1,611,357 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2023 | ($453,113) | ($1,396,082) | ($1,849,195) |
| 2024 | (339,792) | (1,070,436) | (1,410,228) |
| 2025 | (408,625) | (1,130,563) | (1,539,188) |
| 2026 | (527,512) | (1,455,546) | (1,983,058) |
| Total | ($1,729,042) | ($5,052,627) | ($6,781,669) |

**Actuarial Assumptions - SERS**

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

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

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

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

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS** (continued)

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

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

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

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

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

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS** (continued)

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Center's proportionate share of the net pension liability | $5,551,843 | $3,336,937 | $1,469,009 |

***Assumptions and Benefit Changes Since the Prior Measurement Date*** – There were no changes in assumptions or benefits since the prior measurement date.

**Actuarial Assumptions – STRS**

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

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

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

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

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

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

***Discount Rate*** The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 the rates described previously. 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Center's proportionate share of the net pension liability | $16,303,700 | $8,706,331 | $2,286,571 |

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2022, none of the Center's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 7 – POSTEMPLOYMENT BENEFITS**

**Net Other Post Employment Benefits (OPEB) Liability (Asset)**

See Note 6 for a description of the net OPEB liability (asset).

**School Employees Retirement System**

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

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**School Employees Retirement System** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Center's surcharge obligation was $53,688.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2022. The Center's contractually required contribution to SERS was $53,688 for fiscal year 2022.

**State Teachers Retirement System**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)** (continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net OPEB (Asset) Liability - Current Year | 0.0930197% | 0.068093229% | |
| Proportionate Share of the Net OPEB (Asset) Liability - Prior Year | 0.0876956% | 0.067364830% | |
| Change in Proportionate Share | 0.0053241% | 0.000728399% | |
| Proportion of the Net OPEB Liability | $1,760,474 | $0 | $1,760,474 |
| Proportion of the Net OPEB (Asset) | $0 | ($1,435,690) | ($1,435,690) |
| OPEB Expense (Gain) | ($7,478) | ($130,805) | ($138,283) |

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

| **Deferred Outflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $18,765 | $51,120 | $69,885 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 158,549 | 367 | 158,916 |
| Changes of assumptions | 276,177 | 91,705 | 367,882 |
| Center contributions subsequent to the measurement date | 53,688 | - | 53,688 |
| Total | $507,179 | $143,192 | $650,371 |
| **Deferred Inflows of Resources** | **SERS** | **STRS** | **Total** |
| Differences between expected and actual economic experience | $876,795 | $263,044 | $1,139,839 |
| Differences between projected and actual investment earnings | 38,248 | 397,948 | 436,196 |
| Changes of assumptions | 241,082 | 856,494 | 1,097,576 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 204,959 | 88,400 | 293,359 |
| Total | $1,361,084 | $1,605,886 | $2,966,970 |

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)** (continued)

$53,688 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2023 | ($205,419) | ($422,674) | ($628,093) |
| 2024 | (205,688) | (412,717) | (618,405) |
| 2025 | (213,745) | (402,393) | (616,138) |
| 2026 | (186,292) | (169,598) | (355,890) |
| 2027 | (82,671) | (56,685) | (139,356) |
| Thereafter | (13,778) | 1,373 | (12,405) |
| Total | ($907,593) | ($1,462,694) | ($2,370,287) |

**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 are presented below:

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Actuarial Assumptions – SERS** (continued)

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

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

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

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

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Actuarial Assumptions – SERS** (continued)

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

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

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

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

| | 1% Decrease (1.27%) | Current Discount Rate (2.27%) | 1% Increase (3.27%) |
|---|---|---|---|
| Center's proportionate share of the net OPEB liability | $2,181,440 | $1,760,474 | $1,424,176 |

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

| | 1% Decrease in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
|---|---|---|---|
| Center's proportionate share of the net OPEB liability | $1,355,421 | $1,760,474 | $2,301,501 |

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Actuarial Assumptions – STRS**

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

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

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

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

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

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

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

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

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

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

**NOTE 7 – POSTEMPLOYMENT BENEFITS** (continued)

**Actuarial Assumptions – STRS** (continued)

| | 1% Decrease in Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase in Discount Rate (8.00%) |
|---|---|---|---|
| Center's proportionate share of the net OPEB (asset) liability | ($1,211,500) | ($1,435,690) | ($1,622,967) |

| | 1% Decrease in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
|---|---|---|---|
| Center's proportionate share of the net OPEB (asset) liability | ($1,615,378) | ($1,435,690) | ($1,213,489) |

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

**NOTE 8 – LEASES**

During fiscal year 2022, the Center implemented GASB Statement No. 87 as more fully described in Note 15. One of the leases expired at the end of fiscal year 2022 and was not included as a lease qualifying for reporting under GASB 87 as a new lease agreement entered into towards the end of fiscal year 2022 didn't take effect until fiscal year 2023. The Center went ahead and prepaid $137,480 for the lease in fiscal year 2022 so this amount was recorded as a prepaid item.

During fiscal year 2020, the Center entered into a lease agreement with Clermont Northeastern Local School District to lease space. The lease agreement was effective July 1, 2020 and runs through June 30, 2023. The Center prepaid $72,402 of the lease amount which constituted half of the annual $144,800 lease payment requirement during fiscal year 2022 and the amount was recorded as a prepaid expense. This lease was determined to qualify for reporting under GASB Statement No. 87 as more fully described in Note 15. The leased asset and corresponding liability was recorded in the accompanying financial statements of the Center.

The Center leases space from Child Focus, Inc. for the operations of the Center's CEC-North programs. This lease is for the period of August 1, 2019 through July 31, 2022 with an annual sum of $166,944. There was no prepayment for rent in fiscal year 2022. This lease was determined to qualify for reporting under GASB Statement No. 87 as more fully described in Note 15. The leased asset and corresponding liability was recorded in the accompanying financial statements of the Center.

## NOTE 9- RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the Center contracted with Governmental Underwriters of America for property, general liability, vehicle, and public officials' bonding.

| | |
|---|---|
| Property ($1,000 deductible) | $702,093 |
| Automobile liability ($250 comprehensive deductible and $500 collision deductible) | 1,000,000 |
| General liability: | |
| Per occurrence | 1,000,000 |
| Annual Aggregate | 2,000,000 |

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

For fiscal year 2022, the Center participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan (Plan), an insurance purchasing pool (Note 12). The intent of the Plan is to reward participants that are able to keep their claims cost low. Members will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2022 Plan, the evaluation periods will be January 2022, January 2023, and January 2024. Refunds of assessments will be calculated by the Ohio BWC, based on the pro-rata share of the members' individual premium compared to the overall Plan premium.

Participation in the Group Retrospective Rating Plan is limited to those that can meet the programs selection criteria. The firm of Compmanagement, Inc. provides administrative, cost control and actuarial services to the Plan.

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

## NOTE 10 - JOINTLY GOVERNED ORGANIZATION

*Hamilton Clermont Cooperative Information Technology Center* - The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization among a two-county consortium of school districts. HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee is the managerial body responsible for directing and supervising the daily operation of HCC. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each county educational service center (ESC), one treasurer from each county, and the treasurer from each county ESC serving as on-voting ex officio members. The Center paid HCC $54,298 for services provided during the year. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

*The Unified Purchasing Cooperative of the Ohio River Valley (UPC)* is a purchasing cooperative made up of 53 public school districts and three joint vocational school districts in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATION** (continued)

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent. Financial information can be obtained from Megan Jackson, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

*The Center for Collaborative Solutions*, A Regional Council of Governments (the "COG"), is a body Corporate and Politic established pursuant to Ohio Revised Code Chapter 167, by agreement of its members. The COG is a collaborative between Hamilton County Educational Service Center and Clermont County Educational Service Center. The COG is currently providing services for thirty member school districts and other entities in Hamilton County and Clermont County, principally providing substitute teachers and substitute classified personnel. Hamilton County Educational Service Center acts as a fiscal officer for the COG. The governing authority of The Center for Collaborative Solutions (COG) is the COG Board, which is comprised of two superintendents, two board members and one treasurer. All members are from The Hamilton County ESC and Clermont County ESC. The Officer positions of the COG Board are President, Vice-President and Secretary. Currently, the Clermont County ESC Superintendent is appointed President and the Hamilton County ESC Superintendent is appointed Vice President. The ESCs rotate those positions as determined by the COG Board. All other officers serve until his/her successor is appointed.

**NOTE 11 - PUBLIC ENTITY SHARED RISK POOL**

The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 132 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any member withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. Payments to the SOEPC are made from the General and State Grant Funds. Starting in fiscal year 2018, SOEPC starting waiving the membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208,Vandalia, Ohio 45377.

**NOTE 12 - INSURANCE PURCHASING POOL**

*Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan* - The Center participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by Compmanagement. Each year, the participating members pay an enrollment fee to Compmanagement to cover the costs of administering the program.

## NOTE 13 - CONTINGENCIES

A. Grants

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

B. Litigation

The Center is not party to any legal proceedings.

## NOTE 14 - RECEIVABLES

Receivables at June 30, 2022, consisted of accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| | |
|---|---|
| *Non-major Funds* | |
| ESSER Grant | $ 24 |
| Governor's EERF Grant | 1,107 |
| Psychology Grant | 3,248 |
| Total All Funds | $4,379 |

## NOTE 15 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION/FUND BALANCES

For fiscal year 2022, the Center has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the Center's fiscal year 2022 financial statements. The Center recognized $375,729 of governmental activities leased assets (net of accumulated amortization) and $232,433 of governmental activities lease obligations at July 1, 2021 which resulted in a net change of net position of $143,296 as of July 1, 2021 as noted below:

| | |
|---|---|
| Net position (deficit) – June 30, 2021 – As Previously Reported | $(12,098,946) |
| Restatements: | |
| Add: | |
| Additional leased assets (net of accumulated amortization) | 375,729 |
| Deduct: | |
| Additional lease liability | (232,433) |
| Net position (deficit) – July 1, 2021 – As restated | $(11,955,650) |

**NOTE 15 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION/FUND BALANCES** (Continued)

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Center.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Center.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Center.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Center.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Center.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Center.

**NOTE 16 – ACCOUNTABILITY**

At June 30, 2022, the Intern Psychology Grant, ESSER Grant and Governor's Relief Grant non-major Special Revenue Funds had deficit fund balances of $3,248, $26, and $2 respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

## NOTE 17 – FUND BALANCES

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

| Fund Balances | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Nonspendable** | | | |
| Prepaid | $ 237,850 | $ - | $ 237,850 |
| **Restricted for** | | | |
| Other Purposes | - | 53,889 | 53,889 |
| Total Restricted | - | 53,889 | 53,889 |
| **Committed to** | | | |
| Termination Benefits | 498,014 | - | 498,014 |
| **Assigned to** | | | |
| Other Purposes | 65,625 | - | 65,625 |
| **Unassigned** | 9,700,784 | (3,276) | 9,697,508 |
| Total Fund Balances | $ 10,502,273 | $ 50,613 | $ 10,552,886 |

## NOTE 18 - OTHER MATTERS OF POTENTIAL SIGNIFICANCE

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the Center. The impact on the Center's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Center's investments of the pension and other employee benefit plans in which the Center participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments 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.

## NOTE 19 - INTERFUND ACTIVITY

As of June 30, 2022, receivables and payables that resulted from various interfund transactions were as follows:

| Fund | Interfund Receivable | Interfund Payables |
|---|---|---|
| Major Fund: | | |
| General Fund | $ 3,248 | $ - |
| Non-Major Fund: | | |
| Miscellaneous State Grants | - | 3,248 |
| Total Non-Major Fund | - | 3,248 |
| Total All Funds | $ 3,248 | $ 3,248 |

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's Proportionate Share of the Net Pension Liability*
*School Employees Retirement System of Ohio*
*Last Nine Years (1)*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Center's proportion of the net pension liability | 0.0904390% | 0.0878804% | 0.0945739% | 0.0974934% | 0.0931993% | 0.0976005% | 0.1041571% | 0.1229210% | 0.1229210% |
| Center's proportionate share of the net pension liability | $ 3,336,937 | $ 5,812,595 | $ 5,658,522 | $ 5,583,628 | $ 5,568,452 | $ 7,143,456 | $ 5,943,305 | $ 6,220,962 | $ 7,309,717 |
| Center's covered payroll | $ 3,121,721 | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 | $ 3,135,577 | $ 3,571,840 | $ 3,356,814 |
| Center's proportionate share of the net pension liability as a percentage of its covered payroll | 106.89% | 188.67% | 174.41% | 177.96% | 178.21% | 235.67% | 189.54% | 174.17% | 217.76% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.86% | 68.55% | 70.85% | 71.36% | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Information prior to 2014 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's Proportionate Share of the Net Pension Liability*
*State Teachers Retirement System of Ohio*
*Last Nine Years (1)*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| Center's proportion of the net pension liability | 0.068093229% | 0.06736483% | 0.06831242% | 0.06907657% | 0.07295060% | 0.07349565% | 0.07472646% | 0.06913728% | 0.06913728% |
| Center's proportionate share of the net pension liability | $ 8,706,331 | $ 16,299,892 | $ 15,106,881 | $ 15,188,387 | $ 17,329,571 | $ 24,601,209 | $ 20,652,208 | $ 16,816,579 | $ 20,031,799 |
| Center's covered payroll | $ 8,402,257 | $ 8,129,879 | $ 8,020,143 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 | $ 7,796,457 | $ 7,436,677 | $ 7,414,200 |
| Center's proportionate share of the net pension liability as a percentage of its covered payroll | 103.62% | 200.49% | 188.36% | 193.41% | 203.20% | 318.13% | 264.89% | 226.13% | 270.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.78% | 75.48% | 77.40% | 77.31% | 75.29% | 66.78% | 72.09% | 74.71% | 69.30% |

(1) Information prior to 2014 is not available.
Amounts presented as of the Center's measurement date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's Pension Contributions*
*School Employees Retirement System of Ohio*
*Last Ten Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 432,248 | $ 437,041 | $ 431,325 | $ 438,003 | $ 423,580 | $ 437,461 | $ 424,355 | $ 413,269 | $ 495,057 | $ 464,583 |
| Contributions in relation to the contractually required contribution | (432,248) | (437,041) | (431,325) | (438,003) | (423,580) | (437,461) | (424,355) | (413,269) | (495,057) | (464,583) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Center's covered payroll | $3,087,486 | $3,121,721 | $3,080,893 | $3,244,467 | $3,137,630 | $3,124,721 | $3,031,107 | $3,135,577 | $3,571,840 | $3,356,814 |
| Contributions as a percentage of covered employee payroll | 14.00% | 14.00% | 14.00% | 13.50% | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% |

See notes to the accompanying required supplementary information.

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,179,109 | $ 1,176,316 | $ 1,138,183 | $ 1,122,820 | $ 1,099,398 | $ 1,193,984 | $ 1,082,642 | $ 1,091,504 | $ 966,768 | $ 963,846 |
| Contributions in relation to the contractually required contribution | (1,179,109) | (1,176,316) | (1,138,183) | (1,122,820) | (1,099,398) | (1,193,984) | (1,082,642) | (1,091,504) | (966,768) | (963,846) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Center covered payroll | $ 8,422,207 | $ 8,402,257 | $ 8,129,879 | $ 8,020,143 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 | $ 7,796,457 | $ 7,436,677 | $ 7,414,200 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% |

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's Proportionate Share of the Net OPEB Liability*
*School Employees Retirement System of Ohio*
*Last Six Years (1)*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Center's proportion of the net OPEB liability | 0.0930197% | 0.0876956% | 0.0969666% | 0.0983316% | 0.0945523% | 0.0987884% |
| Center's proportionate share of the net OPEB liability | $ 1,760,474 | $ 1,905,912 | $ 2,438,506 | $ 2,727,984 | $ 2,537,535 | $ 2,815,835 |
| Center's covered payroll | $ 3,121,721 | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 |
| Center's proportionate share of the net OPEB liability as a percentage of its covered payroll | 56.39% | 61.86% | 75.16% | 86.94% | 81.21% | 92.90% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 24.08% | 18.17% | 15.57% | 13.57% | 12.46% | 11.49% |

(1) Information prior to 2017 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Center's proportion of the net OPEB liability (asset) | 0.068093229% | 0.06736483% | 0.06831242% | 0.06907657% | 0.07295060% | 0.07349565% |
| Center's proportionate share of the net OPEB liability (asset) | $ (1,435,690) | $ (1,183,936) | $ (1,131,418) | $ (1,109,990) | $ 2,846,263 | $ 3,930,566 |
| Center's covered payroll | $ 8,402,257 | $ 8,129,879 | $ 8,478,707 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 |
| Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | -17.09% | -14.56% | -13.34% | -14.13% | 33.37% | 50.83% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 174.73% | 182.13% | 174.74% | 176.00% | 47.11% | 37.33% |

(1) Information prior to 2017 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's OPEB Contributions*
*School Employees Retirement System of Ohio*
*Last Seven Years (1)*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 53,688 | $ 58,673 | $ 39,794 | $ 75,621 | $ 66,249 | $ 51,425 | $ 49,477 |
| Contributions in relation to the contractually required contribution | (53,688) | (58,673) | (39,794) | (75,621) | (66,249) | (51,425) | (49,477) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Center's covered payroll | $ 3,087,486 | $ 3,121,721 | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 |
| Contributions as a percentage of covered employee payroll | 1.74% | 1.88% | 1.29% | 2.33% | 2.11% | 1.65% | 1.63% |

(1) Information prior to 2016 is not available.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's OPEB Contributions*
*State Teachers Retirement System of Ohio*
*Last Seven Years (1)*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Center covered payroll | $ 8,422,207 | $ 8,402,257 | $ 8,129,879 | $ 8,020,143 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Information prior to 2016 is not available.

See notes to the accompanying required supplementary information.

**Pension**

**School Employees Retirement System (SERS)**

<u>Changes in benefit terms</u>

2022: The cost-of-living adjustment was changed from 2.5 percent to 2.0 percent.

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2015-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

<u>Changes in assumptions</u>

2022: The assumed rate of inflation was reduced from 3.00% to 2.40%, the payroll growth assumption was reduced from 3.5 percent to 3.25 percent, the investment rate of return was reduced from 7.5 percent to 7.0 percent, and rates of withdrawal, retirement, and disability were updated to reflect recent experience. Mortality among members was updated to PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members was updated to PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

(1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
(2) Payroll growth assumption was reduced from 4.00% to 3.50%,
(3) Assumed real wage growth was reduced from 0.75% to 0.50%,
(4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
(5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
(6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
(7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
(8) The discount rate was reduced from 7.75% to 7.50%.

2015-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**State Teachers Retirement System (STRS)**

<u>Changes in benefit terms</u>

2019-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2015-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

<u>Changes in assumptions</u>

2022: Investment rate of return and discount rate of return assumptions were lowered from 7.45 to 7.0 percent

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

(1) The long term expected rate of return was reduced from 7.75% to 7.45%,
(2) The inflation assumption was lowered from 2.75% to 2.50%,
(3) The payroll growth assumption was lowered to 3.00%,
(4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
(5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
(6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2015-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**OPEB**

**<u>School Employees Retirement System (SERS)</u>**

<u>Changes in benefit terms</u>

2017-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

<u>Changes in assumptions</u>

2022:

- The inflation rate decreased from 3.0 percent to 2.4 percent.
- Projected salary increases decreased from 3.5 percent to 3.25 percent.
- Investment rate ofreturn decreased from 7.5 percent to 7.0 percent.
- The municipal bond index rate decreased from 2.45 percent to 1.92 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 2.63 percent to 2.27 percent.
- The medical trend assumption rate changed as follows:
  - o Medicare -2020-5.25 to 4.75 percent, 2022 -5.125 to 4.4 percent
  - o Pre-Medicare -2020-7 to 4.75 percent, 2022-6.75 to 4.4 percent
- Mortality among members was updated to the following:

**OPEB** (continued)

**<u>School Employees Retirement System (SERS)</u>** (continued)

<u>Changes in assumptions</u> (continued)

  - o PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - o PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) The discount rate was changed from 3.22% to 2.63%
(2) Municipal Bond Index Rate:
  Prior Measurement Date 3.13%
  Measurement Date 2.45%

2020: The discount rate was changed from 3.70% to 3.22%. The municipal bond index rate changed from 3.62 to 3.13 percent.

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:
(1) The discount rate was changed from 3.63% to 3.70%
(2) Municipal Bond Index Rate:
  Prior Measurement Date 3.56%
  Measurement Date 3.62%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  Prior Measurement Date 3.63%
  Measurement Date 3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:
(1) Discount Rate:
  Fiscal Year 2018 3.63%
  Fiscal Year 2017 2.98%
(2) Municipal Bond Index Rate:
  Fiscal Year 2018 3.56%
  Fiscal Year 2017 2.92%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  Fiscal Year 2018 3.63%
  Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:
(1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
(2) Payroll growth assumption was reduced from 4.00% to 3.50%,
(3) Assumed real wage growth was reduced from 0.75% to 0.50%,
(4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
(5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,

**OPEB** (continued)

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

Changes in assumptions (continued)

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

**State Teachers Retirement System (STRS)**

Changes in benefit terms

2022: There was no change to the claims costs process. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive $29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to $0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

**OPEB** (continued)

**State Teachers Retirement System (STRS)**

Changes in assumptions

2022: The discount rate was reduced from 7.45% in the prior year to 7.00% in the current year. The medical Medicare trend assumption rate changed from 6.69 percent initial, 4 percent ultimate to -16.18 percent initial, 4 percent ultimate. The Prescription Drug Medicare trend assumption rate changed from 11.87 percent initial, 4 percent ultimate to 29.98 percent initial, 4 percent ultimate.

2021: The health care trend assumption rate changed as follows:
- Medical Medicare – from 4.93 percent to -6.69 percent initial, 4 percent ultimate
- Medical Pre-Medicare – from 5.87 percent to 5 percent initial, 4 percent ultimate
- Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
- Prescription Drug Pre-Medicare – from 7.73 percent to 6.5 initial, 4 percent ultimate

2020: The health care trend assumption rate changed as follows:
- Medical Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
- Medical Pre-Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
- Prescription Drug Medicare – from -5.23 percent to 9.62 percent initial, 4 percent ultimate
- Prescription Drug Pre-Medicare – from 8 percent to 7.73 initial, 4 percent ultimate

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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 to7.45 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

**Clermont County Educational Service Center**

*Schedule of Revenues, Expenditures and Changes*

*In Fund Balance - Budget and Actual (Budgetary Basis)*

*General Fund*

*For the Fiscal Year Ended June 30, 2022*

| | Budget Amounts | | | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Intergovernmental | $ - | $ - | $ 714,123 | $ 714,123 |
| Interest | - | - | 24,315 | 24,315 |
| Tuition and Fees | - | - | 16,931,448 | 16,931,448 |
| Customer Sales and Services | - | - | 625,497 | 625,497 |
| Miscellaneous | - | - | 39,690 | 39,690 |
| Total Revenues | - | - | 18,335,073 | 18,335,073 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Special | 5,829,253 | 5,840,975 | 5,720,439 | 120,536 |
| Support Services: | | | | |
| Pupils | 10,940,947 | 10,876,958 | 10,373,315 | 503,643 |
| Instructional Staff | 576,603 | 576,603 | 563,566 | 13,037 |
| Board of Education | 199,816 | 199,816 | 223,471 | (23,655) |
| Administration | 516,240 | 516,240 | 503,557 | 12,683 |
| Fiscal | 373,878 | 376,145 | 384,462 | (8,317) |
| Central | 113,583 | 113,583 | 124,418 | (10,835) |
| Total Expenditures | 18,550,320 | 18,500,320 | 17,893,228 | 607,092 |
| Excess of Revenues Over (Under) Expenditures | (18,550,320) | (18,500,320) | 441,845 | 18,942,165 |
| OTHER FINANCING USES: | | | | |
| Transfers Out | | (50,000) | (50,000) | - |
| Total Other Financing Uses | - | (50,000) | (50,000) | - |
| Net Change in Fund Balance | (18,550,320) | (18,550,320) | 391,845 | 18,942,165 |
| Fund Balance at Beginning of Year | 10,009,477 | 10,009,477 | 10,009,477 | - |
| Prior Year Encumbrances Appropriated | 14,399 | 14,399 | 14,399 | - |
| Fund Balance at End of Year | $ (8,526,444) | $ (8,526,444) | $ 10,415,721 | $ 18,942,165 |

See accompanying notes to the supplemental information.

## NOTE 1 – BUDGETARY PROCESS

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

The Center's Governing Board does not formally approve a budget for resources estimated to be received during the fiscal year. The Treasurer prepares a budget for revenues for management tracking purposes; however, since it is not formally approved it is not shown in the accompanying budgetary schedule.

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

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedule reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedule represent the final appropriation amounts passed by the Governing Board during the fiscal year.

## NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

**NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (continued)**

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

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | $284,523 |
| Adjustments: | |
| Revenue Accruals | 22,148 |
| Expenditure Accruals | 176,204 |
| Prospective Difference: | |
| Activity of Funds Reclassified for GAAP Reporting Purposes | (17,927) |
| Encumbrances | (73,103) |
| Budget Basis | $391,845 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Clermont County Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the Center's financial performance for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

## FINANCIAL HIGHLIGHTS

- The Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by $12,098,946.

- The Center's net position of governmental activities decreased $43,186.

- General revenues accounted for $530,861 in revenue or 3 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $18,022,674 or 97 percent of total revenues of $18,553,535.

- The Center had $18,596,721 in expenses related to governmental activities; $18,022,674 of these expenses were offset by program specific charges for services and sales and operating grants and contributions.

## USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

## REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Position and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflow of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net position and changes to net position. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Position and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. All of the Center's programs and services are reported here including instruction and support services.

## REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The analysis of the Center's funds begins on page 71. Fund financial statements provide detailed information about the Center's major fund – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major fund is the General Fund.

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

**Fiduciary Funds**. The Center's fiduciary fund is a custodial fund We exclude these activities from the Center's other financial statements because the Center cannot use these assets to finance its operations. The Center closed this fund during the fiscal year as they transferred the monies in this fund to the insurance consortium for which they were the fiscal agent before.

## THE CENTER AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2021 compared to 2020.

Table 1
Net Position
Governmental Activities

| | 2021 | 2020 |
|---|---|---|
| Assets: | | |
| Current and Other Assets | $ 12,045,687 | $ 11,893,065 |
| Net OPEB Asset | 1,183,936 | 1,131,418 |
| Capital Assets, Net | 57,386 | 68,581 |
| Total Assets | 13,287,009 | 13,093,064 |
| Deferred Outflows of Resources: | | |
| Pensions | 3,746,760 | 3,751,776 |
| OPEB | 660,922 | 479,854 |
| Total Deferred Outflows of Resources | 4,407,682 | 4,231,630 |
| Liabilities: | | |
| Current and Other Liabilities | 1,596,681 | 1,705,552 |
| Long-Term Liabilities: | | |
| Due Within One Year | 35,830 | 34,458 |
| Due in More than One Year: | | |
| Net Pension Liabilities | 22,112,487 | 20,765,403 |
| Net OPEB Liabilities | 1,905,912 | 2,438,506 |
| Other Amounts | 466,930 | 499,919 |
| Total Liabilities | 26,117,840 | 25,443,838 |
| Deferred Inflows of Resources | | |
| Pensions | 903,497 | 1,659,594 |
| OPEB | 2,772,300 | 2,277,022 |
| Total Deferred Inflows of Resources | 3,675,797 | 3,936,616 |
| Net Position: | | |
| Net Investment in Capital Assets | 57,386 | 68,581 |
| Restricted | 113,425 | 46,311 |
| Unrestricted | (12,269,757) | (12,170,652) |
| Total Net Position | $ (12,098,946) | $ (12,055,760) |

The net pension liability (NPL) is the largest single liability reported by the Center at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the Center's proportionate share of each plan's collective:

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension 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. If there is a net OPEB asset, it will be reported in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

Total net position of the Center as a whole decreased $43,186. The increase to current and other assets is primarily due to increases in cash. The increase in cash is due to higher revenues received than expenses paid. Capital assets, net decreased due to current year depreciation, which was partially offset by additions. Deferred outflows of resources increased due to pension and OPEB activity. Current and other liabilities decreased slightly due to decreases in accrued wages and benefits. Long-term liabilities increased primarily due to net pension and OPEB liabilities. Deferred inflows of resources decreased due primarily to pension and OPEB activity.

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

Table 2
Changes in Net Position
Governmental Activities

| | 2021 | 2020 |
|---|---|---|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | $ 16,857,780 | $ 17,381,306 |
| Operating Grants and Contributions | 1,164,894 | 804,787 |
| Total Program Revenues | 18,022,674 | 18,186,093 |
| General Revenues: | | |
| Grants and Entitlements not Restricted | 2,500 | - |
| Gifts and Donations not Restricted | - | 1,000 |
| Investment Earnings | 14,242 | 142,108 |
| Miscellaneous | 514,119 | 194,176 |
| Total General Revenues | 530,861 | 337,284 |
| Total Revenues | 18,553,535 | 18,523,377 |
| Program Expenses | | |
| Instruction: | | |
| Special | 6,308,571 | 6,366,369 |
| Support Services: | | |
| Pupils | 10,457,201 | 10,590,607 |
| Instructional Staff | 725,498 | 582,788 |
| Board of Education | 182,781 | 173,829 |
| Administration | 517,116 | 527,749 |
| Fiscal | 300,042 | 329,401 |
| Central | 70,740 | 66,359 |
| Operation of Non-Instructional Services | 34,772 | 29,423 |
| Total Expenses | 18,596,721 | 18,666,525 |
| Increase (Decrease) in Net Position | (43,186) | (143,148) |
| Net Position at Beginning of Year | (12,055,760) | (11,912,612) |
| Net Position at End of Year | $ (12,098,946) | $ (12,055,760) |

Charges for Services revenue decreased from 2020 to 2021. Expenses decreased slightly from 2020 to 2021.

**Governmental Activities**

Charges for services and sales comprised 91 percent of revenue for governmental activities, operating grants and contributions comprised 6 percent of revenue for governmental activities of the Center for fiscal year 2021, while general revenues comprised 3 percent of total revenues.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Special instruction comprised 34 percent of governmental program expenses with support services for pupils comprising 56 percent of governmental expenses and support services for instructional staff comprising 4 percent of government expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | $ 6,308,571 | $ (217,610) | $ 6,366,369 | $ (261,949) |
| Support Services | 12,253,378 | 795,624 | 12,270,733 | 746,050 |
| Operation of Non-Instructional Services | 34,772 | (3,967) | 29,423 | (3,669) |
| Total Expenses | $ 18,596,721 | $ 574,047 | $ 18,666,525 | $ 480,432 |

## THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $18,373,054 and expenditures of $18,292,042. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased in the amount of $76,548 as a result of revenues exceeding expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2021, the Center had $57,386 invested in its capital assets. Table 4 shows the fiscal year 2021 balances compared to 2020.

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

| | 2021 | 2020 |
|---|---|---|
| Furniture and Equipment | $57,386 | $68,581 |
| Totals | $57,386 | $68,581 |

Changes in capital assets from the prior year resulted from the addition of equipment items and depreciation expense. See Note 4 of the notes to the basic financial statements for more detailed information related to capital assets.

### Debt

At June 30, 2021, the Center did not have any outstanding debt obligations. For information regarding other long term obligations, please see Note 5 of the notes to the basic financial statements.

## ADDITIONAL INFORMATION

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the Center. The impact on the Center's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The investments of the Center and the pension and other employee benefit plans in which the Center participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments 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.

## CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Al Fleckinger, Treasurer, Clermont County Educational Service Center, 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

**Clermont County Educational Service Center**
*Statement of Net Position*
*June 30, 2021*

| | Governmental Activities |
|---|---|
| ***ASSETS:*** | |
| Current Assets: | |
| Equity in Pooled Cash, Cash Equivalents, and Investments | $ 10,547,237 |
| Accounts Receivable | 1,096,389 |
| Intergovernmental Receivable | 77,092 |
| Prepaid Items | 324,969 |
| Noncurrent Assets: | |
| Net OPEB Asset | 1,183,936 |
| Depreciable Capital Assets, net | 57,386 |
| *Total Assets* | 13,287,009 |
| ***DEFERRED OUTFLOWS OF RESOURCES:*** | |
| Pensions: | |
| State Teachers Retirement System | 2,880,543 |
| School Employees Retirement System | 866,217 |
| OPEB: | |
| State Teachers Retirement System | 136,897 |
| School Employees Retirement System | 524,025 |
| *Total Deferred Outflows of Resources* | 4,407,682 |
| ***LIABILITIES:*** | |
| Current Liabilities: | |
| Accounts Payable | 43,728 |
| Accrued Wages and Benefits | 1,236,487 |
| Intergovernmental Payable | 316,466 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities: | |
| Due Within One Year | 35,830 |
| Due in More Than One Year | |
| Net Pension Liability | 22,112,487 |
| Net OPEB Liability | 1,905,912 |
| Other Amounts Due in More Than One Year | 466,930 |
| *Total Liabilities* | 26,117,840 |
| ***DEFERRED INFLOWS OF RESOURCES*** | |
| Pensions: | |
| State Teachers Retirement System | 627,691 |
| School Employees Retirement System | 275,806 |
| OPEB: | |
| State Teachers Retirement System | 1,478,642 |
| School Employees Retirement System | 1,293,658 |
| *Total Deferred Inflows of Resources* | 3,675,797 |
| ***NET POSITION:*** | |
| Net Investment in Capital Assets | 57,386 |
| Restricted for Other Purposes | 113,425 |
| Unrestricted | (12,269,757) |
| *Total Net Position* | $ (12,098,946) |

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

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

| | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Special | $ 6,308,571 | $ 5,696,611 | $ 829,570 | $ 217,610 |
| Support Services: | | | | |
| Pupils | 10,457,201 | 9,640,419 | 73,651 | (743,131) |
| Instructional Staff | 725,498 | 522,470 | 225,034 | 22,006 |
| Board of Education | 182,781 | 168,539 | - | (14,242) |
| Administration | 517,116 | 471,909 | - | (45,207) |
| Fiscal | 300,042 | 286,516 | - | (13,526) |
| Central | 70,740 | 67,416 | 1,800 | (1,524) |
| Operation of Non-Instructional Services | 34,772 | 3,900 | 34,839 | 3,967 |
| *Total Governmental Activities* | $ 18,596,721 | $ 16,857,780 | $ 1,164,894 | (574,047) |
| General Revenues: | | | | |
| Grants and Entitlements not Restricted to Specific Programs | | | | 2,500 |
| Investment Earnings | | | | 14,242 |
| Miscellaneous | | | | 514,119 |
| *Total General Revenues* | | | | 530,861 |
| *Change in Net Position* | | | | (43,186) |
| *Net Position Beginning of Year* | | | | (12,055,760) |
| *Net Position End of Year* | | | | $ (12,098,946) |

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

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

| | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| ASSETS: | | | |
| Equity in Pooled Cash, Cash Equivalents and Investments | $ 10,503,957 | $ 43,280 | $ 10,547,237 |
| Accounts Receivable | 1,096,389 | - | 1,096,389 |
| Prepaid Items | 324,969 | - | 324,969 |
| Intergovernmental Receivable | - | 77,092 | 77,092 |
| *Total Assets* | $ 11,925,315 | $ 120,372 | $ 12,045,687 |
| LIABILITIES: | | | |
| Accounts Payable | $ 43,728 | $ - | $ 43,728 |
| Accrued Wages and Benefits | 1,232,135 | 4,352 | 1,236,487 |
| Intergovernmental Payable | 313,871 | 2,595 | 316,466 |
| *Total Liabilities* | 1,589,734 | 6,947 | 1,596,681 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable Revenue - Charges for Services | 117,831 | - | 117,831 |
| Unavailable Revenue - Grants | - | 77,092 | 77,092 |
| *Total Deferred Inflows of Resources* | 117,831 | 77,092 | 194,923 |
| FUND BALANCES: | | | |
| Nonspendable | 324,969 | - | 324,969 |
| Restricted | - | 43,256 | 43,256 |
| Committed | 480,086 | - | 480,086 |
| Assigned | 10,541 | - | 10,541 |
| Unassigned (Deficit) | 9,402,154 | (6,923) | 9,395,231 |
| *Total Fund Balances* | 10,217,750 | 36,333 | 10,254,083 |
| *Total Liabilities, Deferred Inflows of Resources and Fund Balances* | $ 11,925,315 | $ 120,372 | $ 12,045,687 |

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

**Clermont County Educational Service Center**
*Reconciliation of Total Governmental Fund Balances to*
*Net Position of Governmental Activities*
*June 30, 2021*

| | | | |
|---|---|---|---|
| **Total Governmental Fund Balances** | | $ | 10,254,083 |
| 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. | | | 57,386 |
| Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. | | | |
| Intergovernmental | | | 194,923 |
| The net pension and OPEB liabilities (assets) are not due and payable in the current period; therefore, the liabilities (assets) and related deferred inflows/outflows are not reported in the funds. | | | |
| Deferred outflows of resources related to pensions | 3,746,760 | | |
| Deferred outflows of resources related to OPEB | 660,922 | | |
| Deferred inflows of resources related to pensions | (903,497) | | |
| Deferred inflows of resources related to OPEB | (2,772,300) | | |
| Net pension liability | (22,112,487) | | |
| Net OPEB asset | 1,183,936 | | |
| Net OPEB liability | (1,905,912) | | |
| Total | | | (22,102,578) |
| Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | | (502,760) |
| **Net Position of Governmental Activities** | | $ | (12,098,946) |

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

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

| | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| REVENUES: | | | |
| Intergovernmental | $ 685,598 | $ 419,146 | $ 1,104,744 |
| Interest | 14,242 | - | 14,242 |
| Tuition and Fees | 16,284,228 | - | 16,284,228 |
| Gifts and Donations | - | - | - |
| Charges for Services and Sales | 451,821 | 3,900 | 455,721 |
| Miscellaneous | 514,119 | - | 514,119 |
| *Total Revenues* | 17,950,008 | 423,046 | 18,373,054 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Special | 5,976,508 | 146,423 | 6,122,931 |
| Support Services: | | | |
| Pupils | 10,232,941 | 80,664 | 10,313,605 |
| Instructional Staff | 564,923 | 154,923 | 719,846 |
| Board of Education | 183,002 | - | 183,002 |
| Administration | 488,558 | - | 488,558 |
| Fiscal | 349,743 | - | 349,743 |
| Central | 69,564 | 1,800 | 71,364 |
| Operation of Non-Instructional Services | - | 34,772 | 34,772 |
| Capital Outlay | 8,221 | - | 8,221 |
| *Total Expenditures* | 17,873,460 | 418,582 | 18,292,042 |
| *Net Change in Fund Balances* | 76,548 | 4,464 | 81,012 |
| *Fund Balances Beginning of Year* | 10,141,202 | 31,869 | 10,173,071 |
| *Fund Balance at End of Year* | $ 10,217,750 | $ 36,333 | $ 10,254,083 |

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

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

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 81,012 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset depreciation exceeded additions in the current period. | | |
| Capital asset additions | 8,221 | |
| Current year depreciation | (19,416) | |
| Total | | (11,195) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Intergovernmental | 62,650 | |
| Customer Sales and Services | 117,831 | |
| Total | | 180,481 |
| Proceeds from the sale of bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. | | |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 1,613,357 |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 58,673 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | (2,209,360) |
| Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability (asset) are reported as OPEB expense in the statement of activities. | | 212,229 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Decrease in Compensated Absences | | 31,617 |
| **Net Change in Net Position of Governmental Activities** | | $ (43,186) |

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

**Clermont County Educational Service Center**

*Statement of Fiduciary Net Position*

*Fiduciary Fund*

*June 30, 2021*

| | Custodial Fund |
|---|---|
| ASSETS: | |
| Equity in Pooled Cash and Cash Equivalents | $ - |
| *Total Assets* | $ - |
| NET POSITION: | |
| Amounts Held as Fiscal Agent | $ - |
| *Total Net Position* | $ - |

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

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

| | Custodial Fund |
|---|---|
| ADDITIONS: | |
| Amounts Received as Fiscal Agent | $ 213,298 |
| *Total Additions* | 213,298 |
| DEDUCTIONS: | |
| Distributions as Fiscal Agent | 561,188 |
| *Total Deductions* | 561,188 |
| *Change in Net Position* | (347,890) |
| *Net Position, Beginning of Year (As Restated)* | 347,890 |
| *Net Position, End of Year* | $ - |

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

## NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

*Description of the Entity:*

The Center is a Governing Board of an Educational Service Center (the "Center") as defined by Am. Sub. H.B. 117, 121st General Assembly. The Center is an administrative entity providing supervision and certain other services to the local school districts located within Clermont County. It currently operates under an elected Board of Education (5 members) and provides special education to handicapped students. The Center has its own fiscal officer and is considered a separate entity and issues its financial statements.

*Reporting Entity:*

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2021, the Center had no component units.

During a portion of fiscal year 2021, the Center served as fiscal agent for the Clermont County Insurance Consortium. Accordingly, this organization is presented as a custodial fund within the Center's financial statements. During fiscal year 2021, the Center transferred the remaining cash balances to the Clermont County Insurance Consortium.

The Center is associated with three jointly governed organizations, one public entity risk pool, and one insurance purchasing pool. These organizations are discussed in Note 10, Note 11, and Note 12 to the basic financial statements. These organizations are:

Jointly Governed Organization:
- Hamilton Clermont Cooperative Information Technology Center (HCC)
- Unified Purchasing Cooperative of the Ohio River Valley
- Center for Collaborative Solutions

Public Entity Shared Risk Pool:
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Educational Purchasing Council Medical Insurance

Insurance Purchasing Pool:
- Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clermont County Educational Service Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Center's significant accounting policies are described below:

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Fund Accounting

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

*Governmental Fund Types:*

Governmental funds are those through which all governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities and deferred inflows of resources are accounted for through governmental funds. The following is the Center's major governmental fund:

> *General Fund* - The General Fund is the general operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the Center for any purpose provided it is expended or transferred according to the school laws of Ohio.

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

*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 trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Custodial funds are used to maintain financial activity of the School District's fiduciary activities that are not required to be reported in a trust fund. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The Center has a custodial fund used to account for the activity of the Clermont County Insurance Consortium; however, during fiscal year 2021, the assets of this custodial fund were transferred to the Clermont County Insurance Consortium.

B. Basis of Presentation

The 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 Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center. 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 Center.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Fund Financial Statements*:

During the year, the Center segregates transactions related to certain 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 Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources associated with the operation of the Center are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

*Basis of Accounting* **-** Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows/inflows related to pensions/OPEB, and the recording of net pension/OPEB liabilities (asset).

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means that the amount of the transaction can be determined and available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

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

The modified accrual basis is utilized for reporting purposes by the governmental fund types. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, grants, tuition and fees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Deferred Outflows and Deferred Inflows of Resources* - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The Center reports a deferred outflow of resources for pensions/OPEB. The deferred outflows of resources related to the pensions and OPEB are explained in Note 6 and 7, respectively. The Center also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the Center these amounts normally would consist of intergovernmental receivables which are not collected in the available period and pensions/OPEB. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet for 2020 is due to pensions, OPEB and also for unavailable grant revenue. Deferred inflows of resources related to pensions and OPEB are reported on the Statement of Net Position.

D. Cash, Cash Equivalents, and Investments

To improve cash management, the Center maintains a cash and investment pool used by all funds. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the financial statements.

During fiscal year 2021, investments were limited to STAR Ohio. Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to $14,242.

E. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets 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 year. Donated capital assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of $2,000. The 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

| Description | Estimated Lives |
| --- | --- |
| Furniture and Equipment | 5-10 years |

F. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

G. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. During the course of normal operations the Center had transactions between funds. The most significant include routine transfers of resources, from one fund to another fund, through which resources to be expended are recorded as transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

The Center did not have any transfers for 2021.

H. Compensated Absences

GASB Statement No. 16, “Accounting for Compensated Absences”, specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee’s right to receive compensation is attributable to services already rendered.

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

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 Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

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 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 Center’s termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 20 years of current service with the Center and for certified employees and administrators after 20 years of service.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

I. 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, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. The Center had long-term obligations at June 30, 2020 as disclosed in Note 5.

J. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

As of June 30, 2021, there was no amount of net position restricted by enabling legislation.

K. Fund Balance

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the 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 policies of the Center Board.

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

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

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

M. Interfund Receivables/Payables

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

The Center reported no interfund receivables or payables as of June 30, 2021.

N. Prepaid Items

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

O. 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 pension/OPEB expense, information about the fiduciary net position of the pension 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.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments." State statutes classify monies held by the Center into three categories.

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

**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

Inactive deposits are public deposits that the Center 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 monies 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 bonds and other obligations of political subdivisions of the State of Ohio;

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);

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty 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.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

***Deposits*** Custodial credit risk is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,962,707 of the Center's bank balance of $2,387,884 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the Federal Deposit Insurance Corporation.

The Center does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the 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.

***Investments*** The Center had the following investments at June 30, 2021:

| | Fair Value | Matures in Less than One Year | Matures 1 - 2 Years | Matures 3 - 5 Years |
|---|---|---|---|---|
| STAR Ohio | $ 8,711,142 | $ 8,711,142 | $ - | $ - |

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2021. As discussed further in Note 2D, STAR Ohio is reported at its share price.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**NOTE 3 - DEPOSITS AND INVESTMENTS** (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investment policy does not address credit risk beyond the requirements of state law. The Center limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit, U.S. Treasury and Agency Securities, or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The Center's investment policy does not address concentration of credit risk beyond the requirements of the Ohio Revised Code. The Center has invested 100 percent in STAR Ohio.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center's investment policy does not address custodial credit risk beyond the requirements of state law. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

**NOTE 4 - CAPITAL ASSETS**

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

| | Beginning Balance 6/30/2020 | Additions | Deletions | Ending Balance 6/30/2021 |
|---|---|---|---|---|
| *Governmental Activities:* | | | | |
| Capital Assets Being Depreciated | | | | |
| Furniture and Equipment | $294,993 | $8,221 | $0 | $303,214 |
| Total Capital Assets, Being Depreciated | | | | |
| Less Accumulated Depreciation: | | | | |
| Furniture and Equipment | (226,412) | (19,416) | 0 | (245,828) |
| Total Accumulated Depreciation | | | | |
| Total Capital Assets Being Depreciated, Net | 68,581 | (11,195) | 0 | 57,386 |
| Governmental Activities Capital Assets, Net | $68,581 | ($11,195) | $0 | $57,386 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Special Instruction | $17,560 |
| Support Services: | |
| Instructional Staff | 1,856 |
| Total Depreciation Expense | $19,416 |

## NOTE 5 - LONG-TERM LIABILITIES

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

| | Balance at 6/30/2020 | Increase | Decrease | Balance at 6/30/2021 | | Amount Due In One Year |
|---|---|---|---|---|---|---|
| Net Pension Liability | | | | | | |
| STRS | $15,106,881 | $1,193,011 | $ - | $16,299,892 | | $ - |
| SERS | 5,658,522 | 154,073 | - | 5,812,595 | | - |
| Total Net Pension Liability | 20,765,403 | 1,347,084 | - | 22,112,487 | | - |
| Net OPEB Liability | | | | | | |
| STRS | $ - | $ - | $ - | $ - | * | $ - |
| SERS | 2,438,506 | - | 532,594 | 1,905,912 | | - |
| Total Net OPEB Liability | 2,438,506 | - | 532,594 | 1,905,912 | | - |
| Compensated Absences | 534,377 | 1,252,683 | 1,284,300 | 502,760 | | 35,830 |
| Total Long-Term Liabilities | $23,738,286 | $2,599,767 | $1,816,894 | $24,521,159 | | $ 35,830 |

*OPEB for STRS has a Net OPEB asset in the amount of $1,183,936 as of June 30, 2021.

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General Fund being the most significant fund.

## NOTE 6 - DEFINED BENEFIT PENSION PLANS

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

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

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and 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 and OPEB are 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 District's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources. Age and service requirements for retirement are as follows:

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 year 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.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - School Employees Retirement System (SERS)** (continued)

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 .5 percent cost-of-living adjustment(COLA) for eligible retires and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 Center's contractually required contribution to SERS was $437,041 for fiscal year 2021. Of this amount $51,703 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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 a decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 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. Investment allocation decisions are determined by the member. 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.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - State Teachers Retirement System (STRS)** (continued)

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS Ohio was $1,176,316 for fiscal year 2021. Of this amount $193,727 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2021 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 Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability - Current Year | 0.0878804% | 0.06736483% | |
| Proportionate Share of the Net Pension Liability - Prior Year | 0.0945739% | 0.06831242% | |
| Change in Proportionate Share | -0.0066935% | -0.00094759% | |
| Proportion of the Net Pension Liability | $5,812,595 | $16,299,892 | $22,112,487 |
| Pension Expense (Gain) | $489,896 | $1,719,464 | $2,209,360 |

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

| **Deferred Outflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $11,285 | $36,572 | $47,857 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 48,909 | - | 48,909 |
| Changes of assumptions | 0 | 874,989 | 874,989 |
| Differences between projected and actual investment earnings | 368,982 | 792,666 | 1,161,648 |
| Center contributions subsequent to the measurement date | 437,041 | 1,176,316 | 1,613,357 |
| Total | $866,217 | $2,880,543 | $3,746,760 |

| **Deferred Inflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $0 | $104,227 | $104,227 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 275,806 | 523,464 | 799,270 |
| Total | $275,806 | $627,691 | $903,497 |

$1,613,357 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2022 | ($137,210) | $318,500 | $181,290 |
| 2023 | 21,258 | 56,690 | 77,948 |
| 2024 | 153,800 | 380,257 | 534,057 |
| 2025 | 115,522 | 321,089 | 436,611 |
| Total | $153,370 | $1,076,536 | $1,229,906 |

**Actuarial Assumptions - SERS**

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

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

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

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

| | |
|---|---|
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.50 percent - On and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement. |
| Inflation | 3.00 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS** (continued)

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00 % | 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 Estate | 17.00 | 6.60 |
| Multi-Asset Strategy | 5.00 | 6.65 |
| Total | 100.00 % | |

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Center's proportionate share of the net pension liability | $7,962,545 | $5,812,595 | $4,008,746 |

***Assumptions and Benefit Changes Since the Prior Measurement Date*** – There were no changes in assumptions or benefits since the prior measurement date.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Payroll Increases | 3.0% |
| Investment Rate of Return | 7.45 percent, net of investment expenses |
| Discount Rate of Return | 7.45% |
| Cost-of-Living Adjustments (COLA) | 0% |

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

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

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

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

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

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

***Discount Rate*** The discount rate used to measure the total pension liability was 7.45% 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 the rates described previously. 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 Ohio'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 pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

***Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the 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 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%) |
|---|---|---|---|
| Center's proportionate share of the net pension liability | $23,208,208 | $16,299,892 | $10,445,669 |

***Assumptions and Benefit Changes Since the Prior Measurement Date* -** There were no changes in assumptions or benefit terms since the prior measurement date.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, none of the Center's members of the Board has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 7 - DEFINED BENEFIT OPEB PLANS**

See Note 6 for a description of the net OPEB liability (asset).

**School Employees Retirement System**

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**School Employees Retirement System** (continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation of covered payroll 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 Center's surcharge obligation was $58,673.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2021. The Center's contractually required contribution to SERS was $58,673 for fiscal year 2021.

**State Teachers Retirement System**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability (Asset) - Current Year | 0.0876956% | 0.06736483% | |
| Proportionate Share of the Net OPEB Liability (Asset) - Prior Year | 0.0969666% | 0.06831242% | |
| Change in Proportionate Share | -0.0092710% | -0.00094759% | |
| | | | |
| Proportion of the Net OPEB Liability | $1,905,912 | $0 | $1,905,912 |
| Proportion of the Net OPEB (Asset) | $0 | ($1,183,936) | ($1,183,936) |
| OPEB Expense (Gain) | ($112,102) | ($100,127) | ($212,229) |

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

| **Deferred Outflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $25,032 | $75,861 | $100,893 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 93,953 | 0 | 93,953 |
| Changes of assumptions | 324,892 | 19,544 | 344,436 |
| Differences between projected and actual investment earnings | 21,475 | 41,492 | 62,967 |
| Center contributions subsequent to the measurement date | 58,673 | 0 | 58,673 |
| Total | $524,025 | $136,897 | $660,922 |

| **Deferred Inflows of Resources** | **SERS** | **STRS** | **Total** |
|---|---|---|---|
| Differences between expected and actual economic experience | $969,290 | $235,823 | $1,205,113 |
| Differences between projected and actual investment earnings | 0 | 0 | 0 |
| Changes of assumptions | 48,005 | 1,124,540 | 1,172,545 |
| Difference from a change in proportion and differences between Center contributions and proportionate share of contributions | 276,363 | 118,279 | 394,642 |
| Total | $1,293,658 | $1,478,642 | $2,772,300 |

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)** (continued)

$58,673 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2022 | ($184,074) | ($335,455) | ($519,529) |
| 2023 | (158,114) | (307,370) | (465,484) |
| 2024 | (158,368) | (297,516) | (455,884) |
| 2025 | (156,304) | (287,260) | (443,564) |
| 2026 | (123,513) | (56,710) | (180,223) |
| Thereafter | (47,933) | (57,434) | (105,367) |
| Total | ($828,306) | ($1,341,745) | ($2,170,051) |

**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 are presented below:

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Actuarial Assumptions Experience Study Date | 5 year period ended June 30, 2015 |
| Investment Rate of Return | 7.50 percent, net of investment expenses, including inflation |
| Price Inflation | 3.00% |
| Salary increases, including price inflation | 3.50% - 18.20% |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 3.13% |
| Measurement Date | 2.45% |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Prior Measurement Date | 3.22% |
| Measurement Date | 2.63% |
| Medical Trend Assumption | |
| Pre-Medicare | 7.00% - 4.75% |
| Medicare | 5.25% - 4.75% |

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

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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22%. 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 2.0% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the School District'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%).

| | 1% Decrease (1.63%) | Current Discount Rate (2.63%) | 1% Increase (3.63%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $2,332,789 | $1,905,912 | $1,566,546 |

The following table presents the OPEB liability of SERS, 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 in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $1,500,761 | $1,905,912 | $2,447,703 |

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

**Assumptions and Benefit Changes Since the Prior Measurement Date -** The following changes in key methods and assumptions as presented below:

| | | |
|---|---|---|
| (1) | Discount Rate: | |
| | Prior Measurement Date | 3.22% |
| | Measurement Date | 2.63% |
| (2) | Municipal Bond Index Rate: | |
| | Prior Measurement Date | 3.13% |
| | Measurement Date | 2.45% |

**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% at age 20 to 2.50% at age 65 | |
| Payroll increases | 3.00% | |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation | |
| Discount Rate of Return | 7.45% | |
| Health Care Cost Trends | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 5.00% | 4.00% |
| Medicare | -6.69% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 6.5% | 4.00% |
| Medicare | 11.87% | 4.00% |

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

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

Experience Studies — 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.

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

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

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

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

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

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

| | 1% Decrease in Discount Rate (6.45%) | Current Discount Rate (7.45%) | 1% Increase in Discount Rate (8.45%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB (asset) liability | ($1,030,101) | ($1,183,936) | ($1,314,459) |

| | 1% Decrease in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
|---|---|---|---|
| School District's proportionate share of the net OPEB (asset) liability | ($1,306,357) | ($1,183,936) | ($1,034,809) |

**Assumption Changes Since the Prior Measurement Date** – There were no changes in assumptions since the prior measurement date of June 30, 2019.

***Benefit Term Changes Since the Prior Measurement Date*** There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**NOTE 8 – OPERATING LEASE**

During fiscal year 1, the Center paid $130,636 for rent. This was the amount due for fiscal year 2022 and was recorded as a prepaid item. The lease starting on July 1, 2019 was effective for the period of July 1, 2019 through June 30, 2020 with the option to renew for three subsequent one-year terms. In May of 2021 the Center approved the lease of space for fiscal year 2022 at the annual lease rate of $130,636.

During fiscal year 2020, the Center entered into a lease agreement with Clermont Northeastern Local School District to lease space. The lease agreement was effective July 1, 2020 and runs through June 30, 2023. The Center prepaid $72,402 of the lease amount which constituted half of the annual $144,800 lease payment requirement during fiscal year 2021 and the amount was recorded as a prepaid expense.

The Center rents space from Child Focus, Inc. for the operations of the Center's CEC-North programs. This lease is for the period of August 1, 2019 through July 31, 2022 with an annual sum of $166,944. During fiscal year 2021, the Center paid $173,978 for rent during the fiscal year. Of this amount, $90,506 was a prepaid expense.

## NOTE 9- RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Center contracted with Governmental Underwriters of America for property, general liability, vehicle, and public officials' bonding.

| | |
|---|---|
| Property ($1,000 deductible) | $681,644 |
| Automobile liability ($250 comprehensive deductible and $500 collision deductible) | 1,000,000 |
| General liability: | |
| Per occurrence | 1,000,000 |
| Annual Aggregate | 2,000,000 |

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

For fiscal year 2021, the Center participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan (Plan), an insurance purchasing pool (Note 12). The intent of the Plan is to reward participants that are able to keep their claims cost low. Members will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2021 Plan, the evaluation periods will be January 2021, January 2022, and January 2023. Refunds of assessments will be calculated by the Ohio BWC, based on the pro-rata share of the members' individual premium compared to the overall Plan premium.

Participation in the Group Retrospective Rating Plan is limited to those that can meet the programs selection criteria. The firm of Compmanagement, Inc. provides administrative, cost control and actuarial services to the Plan.

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

## NOTE 10 - JOINTLY GOVERNED ORGANIZATION

*Hamilton Clermont Cooperative Information Technology Center* - The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization among a two-county consortium of school districts. HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee is the managerial body responsible for directing and supervising the daily operation of HCC. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each county educational service center (ESC), one treasurer from each county, and the treasurer from each county ESC serving as on-voting ex officio members. The Center paid HCC $36,314 for services provided during the year. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

*The Unified Purchasing Cooperative of the Ohio River Valley (UPC)* is a purchasing cooperative made up of 53 public school districts and three joint vocational school districts in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATION** (continued)

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent. Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

*The Center for Collaborative Solutions*, A Regional Council of Governments (the "COG"), is a body Corporate and Politic established pursuant to Ohio Revised Code Chapter 167, by agreement of its members. The COG is a collaborative between Hamilton County Educational Service Center and Clermont County Educational Service Center. The COG is currently providing services for thirty member school districts and other entities in Hamilton County and Clermont County, principally providing substitute teachers and substitute classified personnel. Hamilton County Educational Service Center acts as a fiscal officer for the COG. The governing authority of The Center for Collaborative Solutions (COG) is the COG Board, which is comprised of two superintendents, two board members and one treasurer. All members are from The Hamilton County ESC and Clermont County ESC. The Officer positions of the COG Board are President, Vice-President and Secretary. Currently, the Clermont County ESC Superintendent is appointed President and the Hamilton County ESC Superintendent is appointed Vice President. The ESCs rotate those positions as determined by the COG Board. All other officers serve until his/her successor is appointed.

**NOTE 11 - PUBLIC ENTITY SHARED RISK POOL**

The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 132 school districts and educational service centers in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Payments to the SOEPC are made from the General and State Grant Funds. Starting in fiscal year 2018, SOEPC starting waiving the membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208,Vandalia, Ohio 45377.

**NOTE 12 - INSURANCE PURCHASING POOL**

*Ohio SchoolComp Workers' Compensation Group Retrospective Rating Plan* - The Center participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by Compmanagement. Each year, the participating members pay an enrollment fee to Compmanagement to cover the costs of administering the program.

## NOTE 13 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2021, if applicable, cannot be determined at this time.

B. Litigation

The Center is not party to any legal proceedings.

## NOTE 14 - RECEIVABLES

Receivables at June 30, 2021, consisted of accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| | |
|---|---|
| *Non-major Funds* | |
| BCII Scanning Equipment Grant | $2,778 |
| Family Engagement Liaison Grant | 74,314 |
| Total All Funds | $77,092 |

## NOTE 15 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION/FUND BALANCES

For the fiscal year ended June 30, 2021, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities.*

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Center will no longer be reporting agency funds. The Center reviewed its agency fund and the one agency fund will be reclassified as a custodial fund. This fund reclassification resulted in the restatement of the Center's financial statements.

Restatement of Net Position

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

| | Agency Fund | Custodial Fund |
|---|---|---|
| Net Position, June 30, 2020 | $347,890 | $ 0 |
| Adjustment: | | |
| GASB 84 | (347,890) | 347,890 |
| Restated Net Position, June 30, 2020 | $ 0 | $347,890 |

## NOTE 16 – FUND BALANCES

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

| Fund Balances | General Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Nonspendable** | | | |
| Prepaid | $ 324,969 | $ - | $ 324,969 |
| **Restricted for** | | | |
| Other Purposes Total | - | 43,256 | 43,256 |
| Restricted | - | 43,256 | 43,256 |
| **Committed to** | | | |
| Termination Benefits | 480,086 | - | 480,086 |
| **Assigned to** | | | |
| Other Purposes | 10,541 | - | 10,541 |
| **Unassigned (Deficit)** | 9,402,154 | (6,923) | 9,395,231 |
| Total Fund Balances | $ 10,217,750 | $ 36,333 | $ 10,254,083 |

## NOTE 17 – ACCOUNTABILITY

At June 30, 2021, the BCII Scanning Equipment and the Family Engagement Liaison Grant non-major Special Revenue Funds had deficit fund balances of $2,770 and $4,153, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

## NOTE 18 - OTHER MATTERS OF POTENTIAL SIGNIFICANCE

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the Center. The impact on the Center's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Center's investments of the pension and other employee benefit plans in which the Center participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments 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.

**Clermont County Educational Service Center**

*Required Supplementary Information*

*Schedule of the Center's Proportionate Share of the Net Pension Liability*

*School Employees Retirement System of Ohio*

*Last Eight Years (1)*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Total plan pension liability | $ 21,033,809,319 | $ 20,527,251,448 | $ 19,997,700,966 | $ 19,588,417,687 | $ 19,770,708,121 | $ 18,503,280,961 | $ 17,881,827,171 | $ 17,247,161,078 |
| Plan net position | 14,419,598,627 | 14,544,076,104 | 14,270,515,748 | 13,613,638,590 | 12,451,630,823 | 12,797,184,030 | 12,820,884,107 | 11,300,482,029 |
| Net pension liability | 6,614,210,692 | 5,983,175,344 | 5,727,185,218 | 5,974,779,097 | 7,319,077,298 | 5,706,096,931 | 5,060,943,064 | 5,946,679,049 |
| Center's proportion of the net pension liability | 0.0878804% | 0.0945739% | 0.0974934% | 0.0931993% | 0.0976005% | 0.1041571% | 0.1229210% | 0.1229210% |
| Center's proportionate share of the net pension liability | $ 5,812,595 | $ 5,658,522 | $ 5,583,628 | $ 5,568,452 | $ 7,143,456 | $ 5,943,305 | $ 6,220,962 | $ 7,309,717 |
| Center's covered payroll | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 | $ 3,135,577 | $ 3,571,840 | $ 3,356,814 |
| Center's proportionate share of the net pension liability as a percentage of its covered payroll | 188.67% | 174.41% | 177.96% | 178.21% | 235.67% | 189.54% | 174.17% | 217.76% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.55% | 70.85% | 71.36% | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Information prior to 2014 is not available.
Amounts presented as of the Center's measurement date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Total plan pension liability | $ 98,672,288,072 | $ 97,840,944,397 | $ 96,904,056,552 | $ 96,126,440,462 | $ 100,756,422,489 | $ 99,014,653,744 | $ 96,167,057,104 | $ 94,366,693,720 |
| Plan net position | 74,475,846,279 | 75,726,545,352 | 74,916,301,830 | 72,371,226,119 | 67,283,408,184 | 71,377,578,736 | 71,843,596,331 | 65,392,746,348 |
| Net pension liability | 24,196,441,793 | 22,114,399,045 | 21,987,754,722 | 23,755,214,343 | 33,473,014,305 | 27,637,075,008 | 24,323,460,773 | 28,973,947,372 |
| Center's proportion of the net pension liability | 0.06736483% | 0.06831242% | 0.06907657% | 0.07295060% | 0.07349565% | 0.07472646% | 0.06913728% | 0.06913728% |
| Center's proportionate share of the net pension liability | $ 16,299,892 | $ 15,106,881 | $ 15,188,387 | $ 17,329,571 | $ 24,601,209 | $ 20,652,208 | $ 16,816,579 | $ 20,031,799 |
| Center's covered payroll | $ 8,129,879 | $ 8,478,707 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 | $ 7,796,457 | $ 7,436,677 | $ 7,414,200 |
| Center's proportionate share of the net pension liability as a percentage of its covered payroll | 200.49% | 178.17% | 193.41% | 203.20% | 318.13% | 264.89% | 226.13% | 270.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.48% | 77.40% | 77.31% | 75.29% | 66.78% | 72.09% | 74.71% | 69.30% |

(1) Information prior to 2014 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's Pension Contributions*
*School Employees Retirement System of Ohio*
*Last Ten Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 437,041 | $ 431,325 | $ 438,003 | $ 423,580 | $ 437,461 | $ 424,355 | $ 413,269 | $ 495,057 | $ 464,583 | $ 309,298 |
| Contributions in relation to the contractually required contribution | (437,041) | (431,325) | (438,003) | (423,580) | (437,461) | (424,355) | (413,269) | (495,057) | (464,583) | (309,298) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Center's covered payroll | $ 3,121,721 | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 | $ 3,135,577 | $ 3,571,840 | $ 3,356,814 | $ 2,299,613 |
| Contributions as a percentage of covered employee payroll | 14.00% | 14.00% | 13.50% | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% | 13.45% |

See notes to the accompanying required supplementary information.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,176,316 | $ 1,138,183 | $ 1,187,019 | $ 1,099,398 | $ 1,193,984 | $ 1,082,642 | $ 1,091,504 | $ 966,768 | $ 963,846 | $ 971,627 |
| Contributions in relation to the contractually required contribution | (1,176,316) | (1,138,183) | (1,187,019) | (1,099,398) | (1,193,984) | (1,082,642) | (1,091,504) | (966,768) | (963,846) | (971,627) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Center covered payroll | $ 8,402,257 | $ 8,129,879 | $ 8,478,707 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 | $ 7,796,457 | $ 7,436,677 | $ 7,414,200 | $ 7,474,054 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% |

See notes to the accompanying required supplementary information.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total plan OPEB liability | $ 2,655,938,750 | $ 2,978,600,373 | $ 3,209,899,769 | $ 3,065,846,821 | $ 3,220,574,434 |
| Plan net position | 482,611,478 | 463,810,679 | 435,629,637 | 382,109,560 | 370,204,515 |
| Net OPEB liability | 2,173,327,272 | 2,514,789,694 | 2,774,270,132 | 2,683,737,261 | 2,850,369,919 |
| Center's proportion of the net OPEB liability | 0.0876956% | 0.0969666% | 0.0983316% | 0.0945523% | 0.0987884% |
| Center's proportionate share of the net OPEB liability | $ 1,905,912 | $ 2,438,506 | $ 2,727,984 | $ 2,537,535 | $ 2,815,835 |
| Center's covered payroll | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 |
| Center's proportionate share of the net OPEB liability as a percentage of its covered payroll | 61.86% | 75.16% | 86.94% | 81.21% | 92.90% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 18.17% | 15.57% | 13.57% | 12.46% | 11.49% |

(1) Information prior to 2017 is not available.
Amounts presented as of the Center's measurement
date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**

*Required Supplementary Information*

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

*State Teachers Retirement System of Ohio*

*Last Five Years (1)*

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Total plan OPEB liability | $ 2,139,798,000 | $ 2,215,918,000 | $ 2,114,451,000 | $ 7,377,410,000 | $ 8,533,654,000 |
| Plan net position | 3,897,296,000 | 3,872,158,000 | 3,721,349,000 | 3,475,779,000 | 3,185,628,000 |
| Net OPEB liability (asset) | (1,757,498,000) | (1,656,240,000) | (1,606,898,000) | 3,901,631,000 | 5,348,026,000 |
| Center's proportion of the net OPEB liability | 0.06736483% | 0.06831242% | 0.06907657% | 0.07295060% | 0.07349565% |
| Center's proportionate share of the net OPEB liability (asset) | $ (1,183,936) | $ (1,131,418) | $ (1,109,990) | $ 2,846,263 | $ 3,930,566 |
| Center's covered payroll | $ 8,129,879 | $ 8,478,707 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 |
| Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | -14.56% | -13.34% | -14.13% | 33.37% | 50.83% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 182.13% | 174.74% | 176.00% | 47.11% | 37.33% |

(1) Information prior to 2017 is not available.
Amounts presented as of the Center's measurement date which is the prior fiscal year.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**
*Required Supplementary Information*
*Schedule of the Center's OPEB Contributions*
*School Employees Retirement System of Ohio*
*Last Six Years (1)*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 58,673 | $ 39,794 | $ 75,621 | $ 66,249 | $ 51,425 | $ 49,477 |
| Contributions in relation to the contractually required contribution | (58,673) | (39,794) | (75,621) | (66,249) | (51,425) | (49,477) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Center's covered payroll | $ 3,121,721 | $ 3,080,893 | $ 3,244,467 | $ 3,137,630 | $ 3,124,721 | $ 3,031,107 |
| Contributions as a percentage of covered employee payroll | 1.88% | 1.29% | 2.33% | 2.11% | 1.65% | 1.63% |

(1) Information prior to 2016 is not available.

See notes to the accompanying required supplementary information.

**Clermont County Educational Service Center**

*Required Supplementary Information*

*Schedule of the Center's OPEB Contributions*

*State Teachers Retirement System of Ohio*

*Last Six Years (1)*

| | 2020 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Center covered payroll | $ 8,402,257 | $ 8,129,879 | $ 8,478,707 | $ 7,852,843 | $ 8,528,457 | $ 7,733,157 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Information prior to 2016 is not available.

See notes to the accompanying required supplementary information.

**Pension**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

(1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
(2) Payroll growth assumption was reduced from 4.00% to 3.50%,
(3) Assumed real wage growth was reduced from 0.75% to 0.50%,
(4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
(5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
(6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
(7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
(8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**State Teachers Retirement System (STRS)**

Changes in benefit terms

2019-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**Pension** (continued)

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

Changes in assumptions (continued)

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

(1) The long term expected rate of return was reduced from 7.75% to 7.45%,
(2) The inflation assumption was lowered from 2.75% to 2.50%,
(3) The payroll growth assumption was lowered to 3.00%,
(4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
(5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
(6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

**OPEB**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2017-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) The discount rate was changed from 3.22% to 2.63%
(2) Municipal Bond Index Rate:
    Prior Measurement Date 3.13%
    Measurement Date 2.45%

2020: The discount rate was changed from 3.70% to 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) The discount rate was changed from 3.63% to 3.70%
(2) Municipal Bond Index Rate:
    Prior Measurement Date 3.56%
    Measurement Date 3.62%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
    Prior Measurement Date 3.63%
    Measurement Date 3.70%

**OPEB (Continued)**

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

Changes in assumptions (continued)

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

(1) Discount Rate:
 Fiscal Year 2018 3.63%
 Fiscal Year 2017 2.98%
(2) Municipal Bond Index Rate:
 Fiscal Year 2018 3.56%
 Fiscal Year 2017 2.92%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 Fiscal Year 2018 3.63%
 Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

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

**State Teachers Retirement System (STRS)**

Changes in benefit terms

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

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

**OPEB (Continued)**

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

Changes in benefit terms (continued)

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive $29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to $0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

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 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in assumptions

2020-2021: There were no changes in assumptions since the prior measurement date of June 30, 2018.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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 to7.45 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

**Clermont County Educational Service Center**

*Schedule of Revenues, Expenditures and Changes*

*In Fund Balance - Budget and Actual (Budgetary Basis)*

*General Fund*

*For the Fiscal Year Ended June 30, 2021*

| | Budget Amounts | | | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Intergovernmental | $ - | $ - | $ 685,598 | $ 685,598 |
| Interest | - | - | 14,242 | 14,242 |
| Tuition and Fees | - | - | 16,451,295 | 16,451,295 |
| Customer Sales and Services | - | - | 409,397 | 409,397 |
| Miscellaneous | - | - | 519,315 | 519,315 |
| Total Revenues | - | - | 18,079,847 | 18,079,847 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Special | 5,970,878 | 6,028,940 | 6,028,940 | - |
| Support Services: | | | | |
| Pupils | 10,367,969 | 10,245,238 | 10,245,238 | - |
| Instructional Staff | 582,833 | 558,795 | 558,795 | - |
| Board of Education | 199,816 | 181,825 | 181,825 | - |
| Administration | 495,872 | 487,251 | 487,251 | - |
| Fiscal | 333,490 | 342,962 | 342,962 | - |
| Central | 80,707 | 50,613 | 50,613 | - |
| Total Expenditures | 18,031,565 | 17,895,624 | 17,895,624 | - |
| Excess of Revenues Over (Under) Expenditures | (18,031,565) | (17,895,624) | 184,223 | 18,079,847 |
| OTHER FINANCING USES: | | | | |
| Transfers Out | | (85,000) | (85,000) | - |
| Total Other Financing Uses | - | (85,000) | (85,000) | - |
| Net Change in Fund Balance | (18,031,565) | (17,980,624) | 99,223 | 18,079,847 |
| Fund Balance at Beginning of Year | 9,847,201 | 9,847,201 | 9,847,201 | - |
| Prior Year Encumbrances Appropriated | 63,053 | 63,053 | 63,053 | - |
| Fund Balance at End of Year | $ (8,121,311) | $ (8,070,370) | $ 10,009,477 | $ 18,079,847 |

See accompanying notes to the supplemental information.

## NOTE 1 – BUDGETARY PROCESS

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

The Center's Governing Board does not formally approve a budget for resources estimated to be received during the fiscal year. The Treasurer prepares a budget for revenues for management tracking purposes; however, since it is not formally approved it is not shown in the accompanying budgetary schedule.

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

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedule reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedule represent the final appropriation amounts passed by the Governing Board during the fiscal year.

## NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

## NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | $76,548 |
| Adjustments: | |
| Revenue Accruals | 214,839 |
| Expenditure Accruals | (188,315) |
| Prospective Difference: | |
| Activity of Funds Reclassified for GAAP Reporting Purposes | 10,550 |
| Encumbrances | (14,399) |
| Budget Basis | $99,223 |

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

Independent Auditor's Report

Board of Education
Clermont County Educational Service Center
2400 Clermont Center Drive
Batavia, Ohio 45103

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Clermont County Educational Service Center, Clermont County, Ohio (the Center) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated April 28, 2023, wherein we noted that the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. We also noted the Center restated its beginning Fiduciary net position as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities" for the fiscal year ended June 30, 2021. Further, the Center restated its beginning net position as the result of adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases" for the fiscal year ended June 30, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a material weakness.

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

**Compliance and Other Matters**

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

**Center's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

April 28, 2023

## FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

### Finding Number 2022-001

**Material Weakness – Financial Reporting**

A monitoring system by the Center should be in place to prevent or detect misstatements for the fair presentation of the Center's financial statements. During testing, we identified misclassifications in program revenue calculations for fiscal year 2021 and fiscal year 2022. Further, we noted errors in deferrals and related expenses for STRS in both fiscal years 2021 and 2022 related to pension. We also identified errors in deferrals and related expenses for SERS in fiscal year 2021. The items mentioned above were deemed immaterial individually and in the aggregate; therefore, correction was waived. We also noted errors in intergovernmental payable calculations in fiscal year 2021, for which corrections were posted to the financial statements. A material adjustment was also required to the original budget for the fiscal year 2022 general fund budget and actual comparison. Finally, we made minor changes to the footnotes and required supplementary information.

We recommend the Center implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential errors and misclassifications in the financial statements and to ensure proper presentation of note disclosures and supplementary information.

**Center Response:**

We have already discussed these issues with our compiler and will be taking steps to ensure that these issues do not occur in the future.

**This page intentionally left blank.**

OHIO AUDITOR OF STATE
KEITH FABER

**CLERMONT COUNTY EDUCATIONAL SERVICE CENTER**

**CLERMONT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 7/13/2023**

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