



**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**



**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER  
MONTGOMERY COUNTY  
JUNE 30, 2022**

**TABLE OF CONTENTS**

| TITLE   | PAGE |
|---|------|
| Independent Auditor’s Report .....  | 1    |
| Prepared by Management:   |      |
| Management’s Discussion and Analysis .....  | 5    |
| Basic Financial Statements:   |      |
| Government-wide Financial Statements:   |      |
| Statement of Net Position .....   | 13   |
| Statement of Activities.....  | 14   |
| Fund Financial Statements:  |      |
| Balance Sheet   |      |
| Governmental Funds.....   | 15   |
| Reconciliation of Total Governmental Fund Balances to<br>Net Position of Governmental Activities .....  | 16   |
| Statement of Revenues, Expenditures and Changes in Fund Balance<br>Governmental Funds.....  | 17   |
| Reconciliation of the Statement of Revenues, Expenditures<br>and Changes in Fund Balance of Governmental Funds<br>to the Statement of Activities..... | 18   |
| Statement of Fiduciary Net Position<br>Fiduciary Fund .....   | 19   |
| Statement of Changes in Fiduciary Net Position<br>Fiduciary Fund .....  | 20   |
| Notes to the Basic Financial Statements.....  | 21   |
| Required Supplementary Information:   |      |
| Schedule of the Center’s Proportionate Share of the<br>Net Pension Liability – School Employees Retirement System of Ohio .....                       | 58   |
| Schedule of the Center’s Contributions for Net Pension Liability –<br>School Employees Retirement System of Ohio .....                                | 59   |
| Schedule of the Center’s Proportionate Share of the<br>Net Pension Liability –State Teachers Retirement System of Ohio .....                          | 60   |
| Schedule of the Center’s Contributions for Net Pension Liability –<br>State Teachers Retirement System of Ohio.....                                   | 61   |
| Schedule of the Center’s Proportionate Share of the<br>Net OPEB Liability – School Employees Retirement System of Ohio .....                          | 62   |
| Schedule of the Center’s Contributions for Net OPEB Liability –<br>School Employees Retirement System of Ohio .....                                   | 63   |

**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER  
MONTGOMERY COUNTY  
JUNE 30, 2022**

**TABLE OF CONTENTS  
(Continued)**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Schedule of the Center's Proportionate Share of the<br>Net OPEB (Asset)/Liability – State Teachers Retirement System of Ohio .....   | 64          |
| Schedule of the Center's Contributions for Net OPEB (Asset)/Liability –<br>State Teachers Retirement System of Ohio.....   | 65          |
| Notes to the Required Supplementary Information .....  | 66          |
| Schedule of Receipts and Expenditures of Federal Awards .....  | 73          |
| Notes to the Schedule of Receipts and Expenditures of Federal Awards.....  | 74          |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....               | 75          |
| Independent Auditor's Report on Compliance with Requirements<br>Applicable to the Major Federal Program and on Internal Control Over<br>Compliance Required by the Uniform Guidance..... | 77          |
| Schedule of Findings.....  | 81          |

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Montgomery County Educational Service Center  
Montgomery County  
200 South Keowee Street  
Dayton, Ohio 45402

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County Educational Service Center, Montgomery County, Ohio (the Center), as of and for the fiscal year ended June 30, 2022, 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, each major fund, and the aggregate remaining fund information of the Montgomery County Educational Service Center, Montgomery County, Ohio as of June 30, 2022, and the respective changes in financial position for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the 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 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 6, 2023

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**Montgomery County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

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The discussion and analysis of Montgomery County Educational Service Center's (the Center) financial performance provides an overall review of the Center's financial activities 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 financial statements to enhance their understanding of the Center's performance.

**Financial Highlights**

Key financial highlights for 2022 are as follows:

- Net position of governmental activities increased \$1,867,573 or 7%.
- General revenues accounted for \$1,786,688 in revenue or 3% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$54,086,826 or 97% of total revenues of \$55,873,514.
- The Center had \$54,005,941 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,786,688 were also used to provide for these programs.

**Overview of the Financial Statements**

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

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

**Government-wide Financial Statements**

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The Government-wide Financial Statements answer this question. These statements include all assets and deferred outflows, and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's net position and change in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include facility conditions, required educational programs and other factors.

**Montgomery County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

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In the Government-wide Financial Statements, the Center presents:

- Governmental Activities – Most of the Center's programs and services are reported here including instruction, support services and operation of non-instructional services.

**Fund Financial Statements**

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

**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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

**The Center as a Whole**

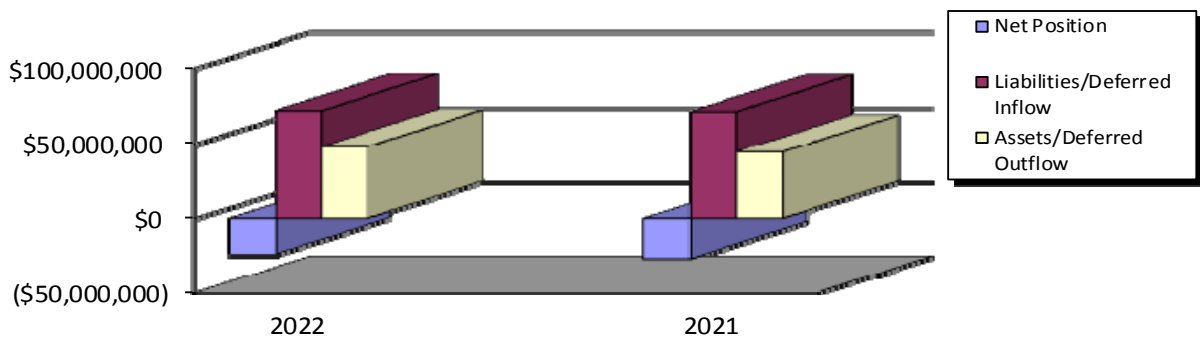
As stated previously, the Statement of Net Position looks at the Center as a whole. Table 1 provides a summary of the Center's net position for 2022 compared to 2021:

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**Montgomery County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

Table 1  
Net Position

|   | Governmental Activities |                       |
|---|-------------------------|-----------------------|
|   | 2022                    | 2021 - Restated       |
| <b>Assets:</b>                              |                         |                       |
| Current and Other Assets                    | \$10,200,022            | \$11,005,535          |
| Net OPEB Asset                              | 3,405,276               | 2,717,677             |
| Capital Assets                              | 16,216,303              | 16,785,789            |
| <b>Total Assets</b>                         | <b>29,821,601</b>       | <b>30,509,001</b>     |
| <b>Deferred Outflows of Resources:</b>      |                         |                       |
| OPEB  | 14,855,960              | 2,268,299             |
| Pension                                     | 2,142,179               | 13,203,018            |
| <b>Total Deferred Outflows of Resources</b> | <b>16,998,139</b>       | <b>15,471,317</b>     |
| <b>Liabilities:</b>                         |                         |                       |
| Other Liabilities                           | 6,168,880               | 6,758,944             |
| Long-Term Liabilities                       | 36,241,480              | 59,670,175            |
| <b>Total Liabilities</b>                    | <b>42,410,360</b>       | <b>66,429,119</b>     |
| <b>Deferred Inflows of Resources:</b>       |                         |                       |
| OPEB  | 6,493,223               | 5,760,528             |
| Pension                                     | 23,007,251              | 749,338               |
| <b>Total Deferred Inflows of Resources</b>  | <b>29,500,474</b>       | <b>6,509,866</b>      |
| <b>Net Position:</b>                        |                         |                       |
| Net Investment in Capital Assets            | 14,576,922              | 15,103,965            |
| Restricted                                  | 1,353,295               | 1,690,599             |
| Unrestricted                                | (41,021,311)            | (43,753,231)          |
| <b>Total Net Position</b>                   | <b>(\$25,091,094)</b>   | <b>(\$26,958,667)</b> |



At year-end, capital assets represented 54% of total assets. Investment in capital assets include land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2022, was \$14,576,922. These capital assets

**Montgomery County Educational Service Center**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**  
(Unaudited)

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are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, \$1,353,295, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets decreased mainly due to a decrease in intergovernmental receivables. Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Total liabilities decreased due to a decrease in net pension liability.

Table 2 shows the changes in net position for fiscal years 2022 and 2021.

|   | Governmental Activities      |                              |
|---|------------------------------|------------------------------|
|   | 2022                         | 2021                         |
| Revenues:                               |                              |                              |
| Program Revenues                        |                              |                              |
| Charges for Services                    | \$49,943,246                 | \$45,904,290                 |
| Operating Grants and Contributions      | 4,143,580                    | 8,761,801                    |
| General Revenues:                       |                              |                              |
| Grants and Entitlements                 | 1,671,572                    | 1,632,739                    |
| Other                                   | 115,116                      | 887,599                      |
| Total Revenues                          | <u>55,873,514</u>            | <u>57,186,429</u>            |
| Program Expenses:                       |                              |                              |
| Instruction                             | 14,987,056                   | 18,440,024                   |
| Support Services:                       |                              |                              |
| Pupil and Instructional Staff           | 24,023,337                   | 27,660,279                   |
| School Administration, General          |                              |                              |
| Administration, Fiscal, and Business    | 6,977,617                    | 11,713,201                   |
| Operations and Maintenance              | 2,607,215                    | 2,888,595                    |
| Pupil Transportation                    | 44,588                       | 50,260                       |
| Central                                 | 2,423,508                    | 2,113,308                    |
| Operation of Non-Instructional Services | 2,936,377                    | 47,677                       |
| Extracurricular Activities              | 2,686                        | 0                            |
| Interest and Fiscal Charges             | 3,557                        | 0                            |
| Total Program Expenses                  | <u>54,005,941</u>            | <u>62,913,344</u>            |
| Change in Net Position                  | 1,867,573                    | (5,726,915)                  |
| Net Position - Beginning of Year        | <u>(26,958,667)</u>          | <u>(21,231,752)</u>          |
| Net Position - End of Year              | <u><u>(\$25,091,094)</u></u> | <u><u>(\$26,958,667)</u></u> |

The Center's revenues are mainly from two sources. Charges for services and operating grants and contributions comprised 97% of the Center's revenues for governmental activities.

**Montgomery County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

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Instruction comprises 28% of governmental program expenses. Support services expenses were 67% of governmental program expenses. All other expenses were 5%.

The Center's reliance upon charges for services and operating grants is demonstrated by the following table:

| Revenue Sources         | 2022         | Percent<br>of Total |
|-------------------------|--------------|---------------------|
| Grants and Entitlements | \$1,671,572  | 3.0%                |
| Program Revenues        | 54,086,826   | 96.8%               |
| Other Revenues          | 115,116      | 0.2%                |
|                         | \$55,873,514 | 100.0%              |

Revenues in total decreased in 2022 as compared to 2021 due to a decrease in operating grants and contributions. Total expenses decreased in 2022 as compared to 2021, due to changes related to net pension liability and other post employment benefits liability.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services.

Table 3  
Governmental Activities

|   | Total Cost of Services |              | Net Cost of Services |               |
|---|------------------------|--------------|----------------------|---------------|
|   | 2022                   | 2021         | 2022                 | 2021          |
| Instruction                             | \$14,987,056           | \$18,440,024 | \$1,700,329          | (\$3,041,027) |
| Support Services:                       |                        |              |                      |               |
| Pupil and Instructional Staff           | 24,023,337             | 27,660,279   | (1,037,388)          | (3,599,760)   |
| School Administration, General          |                        |              |                      |               |
| Administration, Fiscal, and Business    | 6,977,617              | 11,713,201   | 27,714               | (882,920)     |
| Operations and Maintenance              | 2,607,215              | 2,888,595    | (240,981)            | (381,384)     |
| Pupil Transportation                    | 44,588                 | 50,260       | (43,754)             | (50,260)      |
| Central                                 | 2,423,508              | 2,113,308    | 12,568               | (244,225)     |
| Operation of Non-Instructional Services | 2,936,377              | 47,677       | (334,232)            | (47,677)      |
| Extracurricular Activities              | 2,686                  | 0            | 186                  | 0             |
| Interest and Fiscal Charges             | 3,557                  | 0            | (3,557)              | 0             |
|   | \$54,005,941           | \$62,913,344 | \$80,885             | (\$8,247,253) |

**The Center's Funds**

The Center has four major governmental funds: the General Fund, the Other Grants Fund, the Regional Transportation Fund, and the Title VI-B Fund. Assets of these funds comprise \$11,279,934 (93%) of the total \$12,181,691 governmental funds' assets.

**General Fund:** Fund balance at June 30, 2022 was \$4,495,828 including \$1,542,234 of unassigned balance. The primary reason for the increase in fund balance was due to a decrease in expenditures

**Montgomery County Educational Service Center  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

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from the prior year.

**Other Grants Fund:** Fund balance at June 30, 2022 was (\$1,089,284). The primary reason for the decrease in fund balance was due to an increase in expenditures for the year.

**Title VI-B Fund:** Fund balance at June 30, 2022 was (\$289,499). The primary reason for the decrease in fund balance was due to a decrease in revenues for the year.

**Regional Transportation Fund:** Fund balance at June 30, 2022 was \$1,245,739. Fund balance remained relatively stable from 2021 to 2022.

**General Fund Budgeting Highlights**

Under Ohio law, educational service centers are no longer required to prepare a budget. Therefore, at June 30, 2022 a budgetary statement is not presented within the basic financial statements because the Board of Education did not approve estimated revenues or adopt appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the fiscal year end 2022, the Center had \$16,216,303 invested in land, buildings and improvements, furniture and equipment, vehicles, and leased assets. Table 4 shows fiscal year 2022 balances as compared to fiscal year 2021:

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

|                            | Governmental Activities |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2022                    | 2021 - Restated     |
| Land                       | \$182,098               | \$182,098           |
| Buildings and Improvements | 13,717,048              | 14,320,362          |
| Furniture and Equipment    | 536,409                 | 415,095             |
| Vehicles                   | 156,918                 | 186,410             |
| Leased Assets              | 1,623,830               | 1,681,824           |
| Total Net Capital Assets   | <u>\$16,216,303</u>     | <u>\$16,785,789</u> |

Capital assets decreased in fiscal year 2022 due to current year depreciation expense exceeding current year additions. See Note 6 to the basic financial statements for further details on the Center’s capital assets.

**Debt**

At June 30, 2022, the Center had a lease liability outstanding in the amount of \$1,639,381. See Note 11 to the basic financial statements for further details on the Center’s long-term obligations.

**Montgomery County Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022  
(Unaudited)**

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**For the Future**

Local Centers are reorganizing and putting buildings to use that were previously rented by the Center. As a result, the Center purchased five buildings in prior fiscal years and is leasing one after renovations are completed to accommodate special education programs. The Center has seen positive outcomes from the addition of these buildings and expects this trend to continue. These positive outcomes include additional space for programs and more secure locations for programs which the local Centers find favorable.

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, at Montgomery County Educational Service Center, 200 South Keowee, Dayton, Ohio 45402.

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

|  | Governmental<br>Activities       |
|--|----------------------------------|
| Assets:                                  |                                  |
| Equity in Pooled Cash and Investments    | \$6,851,906                      |
| Receivables (Net):                       |                                  |
| Accounts                                 | 1,072,923                        |
| Interest                                 | 3,862                            |
| Intergovernmental                        | 1,022,987                        |
| Notes                                    | 1,225,000                        |
| Prepaid Items                            | 23,344                           |
| Net OPEB Asset                           | 3,405,276                        |
| Nondepreciable Capital Assets            | 182,098                          |
| Depreciable Capital Assets, Net          | <u>16,034,205</u>                |
| <br>Total Assets                         | <br><u>29,821,601</u>            |
| Deferred Outflows of Resources:          |                                  |
| Pension                                  | 14,855,960                       |
| OPEB                                     | <u>2,142,179</u>                 |
| <br>Total Deferred Outflows of Resources | <br><u>16,998,139</u>            |
| Liabilities:                             |                                  |
| Accounts Payable                         | 872,524                          |
| Accrued Wages and Benefits               | 5,296,356                        |
| Long-Term Liabilities:                   |                                  |
| Due Within One Year                      | 293,238                          |
| Due In More Than One Year                |                                  |
| Net Pension Liability                    | 29,571,714                       |
| Net OPEB Liability                       | 4,220,857                        |
| Other Amounts                            | <u>2,155,671</u>                 |
| <br>Total Liabilities                    | <br><u>42,410,360</u>            |
| Deferred Inflows of Resources:           |                                  |
| Pension                                  | 23,007,251                       |
| OPEB                                     | <u>6,493,223</u>                 |
| <br>Total Deferred Inflows of Resources  | <br><u>29,500,474</u>            |
| Net Position:                            |                                  |
| Investment in Capital Assets             | 14,576,922                       |
| Restricted for:                          |                                  |
| Regional Transportation                  | 1,245,739                        |
| State Funded Programs                    | 16,200                           |
| Federally Funded Programs                | 59,874                           |
| Other Purposes                           | 31,482                           |
| Unrestricted                             | <u>(41,021,311)</u>              |
| <br>Total Net Position                   | <br><u><u>(\$25,091,094)</u></u> |

See accompanying notes to the basic financial statements.

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

|   | Expenses            | Program Revenues                  |                                       | Net (Expense) Revenue<br>and Change in Net Position |
|---|---------------------|-----------------------------------|---------------------------------------|---|
|   |                     | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Governmental<br>Activities                          |
| <b>Governmental Activities:</b>         |                     |                                   |                                       |   |
| <b>Instruction:</b>                     |                     |                                   |                                       |   |
| Regular                                 | \$985,827           | \$914,945                         | \$7,079                               | (\$63,803)  |
| Special                                 | 13,943,120          | 15,608,368                        | 113,128                               | 1,778,376   |
| Other                                   | 58,109              | 6,345                             | 37,520                                | (14,244)  |
| <b>Support Services:</b>                |                     |                                   |                                       |   |
| Pupil                                   | 13,398,218          | 13,227,084                        | 86,112                                | (85,022)  |
| Instructional Staff                     | 10,625,119          | 6,312,363                         | 3,360,390                             | (952,366)   |
| General Administration                  | 407,358             | 436,762                           | 0                                     | 29,404  |
| School Administration                   | 5,604,823           | 5,622,825                         | 2,513                                 | 20,515  |
| Fiscal                                  | 871,928             | 837,606                           | 0                                     | (34,322)  |
| Business                                | 93,508              | 0                                 | 105,625                               | 12,117  |
| Operations and Maintenance              | 2,607,215           | 2,051,425                         | 314,809                               | (240,981)   |
| Pupil Transportation                    | 44,588              | 0                                 | 834                                   | (43,754)  |
| Central                                 | 2,423,508           | 2,320,506                         | 115,570                               | 12,568  |
| Operation of Non-Instructional Services | 2,936,377           | 2,602,145                         | 0                                     | (334,232)   |
| Extracurricular Activities              | 2,686               | 2,872                             | 0                                     | 186   |
| Interest and Fiscal Charges             | 3,557               | 0                                 | 0                                     | (3,557)   |
| <b>Totals</b>                           | <b>\$54,005,941</b> | <b>\$49,943,246</b>               | <b>\$4,143,580</b>                    | <b>80,885</b>                                       |

|   |                       |
|---|-----------------------|
| <b>General Revenues:</b>                          |                       |
| Grants and Entitlements, Not Restricted           | 1,671,572             |
| Unrestricted Contributions                        | 98                    |
| Investment Earnings                               | 80                    |
| Other Revenues                                    | 114,938               |
| <b>Total General Revenues</b>                     | <b>1,786,688</b>      |
| <b>Change in Net Position</b>                     | <b>1,867,573</b>      |
| <b>Net Position - Beginning of Year, Restated</b> | <b>(26,958,667)</b>   |
| <b>Net Position - End of Year</b>                 | <b>(\$25,091,094)</b> |

See accompanying notes to the basic financial statements.

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

|  | General            | Other<br>Grant Funds | Title<br>VI-B    | Regional<br>Transportation | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|----------------------|------------------|----------------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>                             |                    |                      |                  |                            |                                |                                |
| Equity in Pooled Cash and Investments      | \$5,528,484        | \$0                  | \$0              | \$1,246,339                | \$77,083                       | \$6,851,906                    |
| <b>Receivables (Net):</b>                  |                    |                      |                  |                            |                                |                                |
| Accounts                                   | 1,072,923          | 0                    | 0                | 0                          | 0                              | 1,072,923                      |
| Interest                                   | 3,862              | 0                    | 0                | 0                          | 0                              | 3,862                          |
| Intergovernmental                          | 0                  | 0                    | 258,441          | 0                          | 764,546                        | 1,022,987                      |
| Notes                                      | 1,225,000          | 0                    | 0                | 0                          | 0                              | 1,225,000                      |
| Interfund                                  | 1,906,029          | 15,766               | 0                | 0                          | 59,874                         | 1,981,669                      |
| Prepaid Items                              | 21,443             | 1,162                | 485              | 0                          | 254                            | 23,344                         |
| <b>Total Assets</b>                        | <b>9,757,741</b>   | <b>16,928</b>        | <b>258,926</b>   | <b>1,246,339</b>           | <b>901,757</b>                 | <b>12,181,691</b>              |
| <b>Liabilities:</b>                        |                    |                      |                  |                            |                                |                                |
| Accounts Payable                           | 389,800            | 16,657               | 179,925          | 600                        | 285,542                        | 872,524                        |
| Accrued Wages and Benefits                 | 4,864,805          | 263,848              | 110,059          | 0                          | 57,644                         | 5,296,356                      |
| Compensated Absences                       | 7,308              | 0                    | 0                | 0                          | 0                              | 7,308                          |
| Interfund Payable                          | 0                  | 825,707              | 258,441          | 0                          | 897,521                        | 1,981,669                      |
| <b>Total Liabilities</b>                   | <b>5,261,913</b>   | <b>1,106,212</b>     | <b>548,425</b>   | <b>600</b>                 | <b>1,240,707</b>               | <b>8,157,857</b>               |
| <b>Fund Balances:</b>                      |                    |                      |                  |                            |                                |                                |
| Nonspendable                               | 1,246,443          | 1,162                | 485              | 0                          | 254                            | 1,248,344                      |
| Restricted                                 | 0                  | 0                    | 0                | 1,245,739                  | 107,556                        | 1,353,295                      |
| Assigned                                   | 1,707,151          | 0                    | 0                | 0                          | 0                              | 1,707,151                      |
| Unassigned                                 | 1,542,234          | (1,090,446)          | (289,984)        | 0                          | (446,760)                      | (284,956)                      |
| <b>Total Fund Balances</b>                 | <b>4,495,828</b>   | <b>(1,089,284)</b>   | <b>(289,499)</b> | <b>1,245,739</b>           | <b>(338,950)</b>               | <b>4,023,834</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$9,757,741</b> | <b>\$16,928</b>      | <b>\$258,926</b> | <b>\$1,246,339</b>         | <b>\$901,757</b>               | <b>\$12,181,691</b>            |

See accompanying notes to the basic financial statements.

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

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|   |                    |                              |
|---|--------------------|------------------------------|
| Total Governmental Fund Balance   |                    | \$4,023,834                  |
| 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.   |                    |                              |
| Capital assets used in the operation of Governmental Funds  |                    | 16,216,303                   |
| Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.             |                    |                              |
| Compensated Absences  |                    | (802,220)                    |
| Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.   |                    |                              |
| Deferred outflows of resources related to pensions  | 14,855,960         |                              |
| Deferred inflows of resources related to pensions   | (23,007,251)       |                              |
| Deferred outflows of resources related to OPEB  | 2,142,179          |                              |
| Deferred inflows of resources related to OPEB   | <u>(6,493,223)</u> |                              |
|   |                    | (12,502,335)                 |
| Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds. |                    |                              |
| Net OPEB Asset  | 3,405,276          |                              |
| Net Pension Liability   | (29,571,714)       |                              |
| Net OPEB Liability  | (4,220,857)        |                              |
| Other Amounts   | <u>(1,639,381)</u> |                              |
|   |                    | <u>(32,026,676)</u>          |
| Net Position of Governmental Activities   |                    | <u><u>(\$25,091,094)</u></u> |

See accompanying notes to the basic financial statements.

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

|   | General            | Other<br>Grant Funds | Title<br>VI-B      | Regional<br>Transportation | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|----------------------|--------------------|----------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                    |                    |                      |                    |                            |                                |                                |
| Tuition and Fees                                    | \$32,143,534       | \$0                  | \$0                | \$0                        | \$0                            | \$32,143,534                   |
| Investment Earnings                                 | 123                | 0                    | 0                  | 0                          | 0                              | 123                            |
| Intergovernmental                                   | 1,789,488          | 0                    | 1,794,779          | 0                          | 2,779,982                      | 6,364,249                      |
| Charges for Services                                | 0                  | 5,671,734            | 0                  | 0                          | 0                              | 5,671,734                      |
| Contract Services                                   | 12,414,502         | 0                    | 0                  | 0                          | 0                              | 12,414,502                     |
| Other Revenues                                      | 106,623            | 8,411                | 0                  | 0                          | 0                              | 115,034                        |
| <b>Total Revenues</b>                               | <b>46,454,270</b>  | <b>5,680,145</b>     | <b>1,794,779</b>   | <b>0</b>                   | <b>2,779,982</b>               | <b>56,709,176</b>              |
| <b>Expenditures:</b>                                |                    |                      |                    |                            |                                |                                |
| <b>Current:</b>                                     |                    |                      |                    |                            |                                |                                |
| <b>Instruction:</b>                                 |                    |                      |                    |                            |                                |                                |
| Regular   | 545,736            | 502,383              | 0                  | 0                          | 6,357                          | 1,054,476                      |
| Special   | 14,604,418         | 0                    | 0                  | 0                          | 160                            | 14,604,578                     |
| Other   | 6,418              | 0                    | 0                  | 0                          | 52,175                         | 58,593                         |
| <b>Support Services:</b>                            |                    |                      |                    |                            |                                |                                |
| Pupil   | 12,551,347         | 1,483,273            | 0                  | 0                          | 108,436                        | 14,143,056                     |
| Instructional Staff                                 | 5,551,035          | 1,019,119            | 1,665,532          | 0                          | 2,568,731                      | 10,804,417                     |
| General Administration                              | 408,449            | 0                    | 0                  | 0                          | 0                              | 408,449                        |
| School Administration                               | 5,756,982          | 182,716              | 0                  | 0                          | 2,812                          | 5,942,510                      |
| Fiscal  | 617,216            | 268,194              | 0                  | 0                          | 0                              | 885,410                        |
| Business  | 0                  | 0                    | 0                  | 0                          | 104,204                        | 104,204                        |
| Operations and Maintenance                          | 2,126,168          | 0                    | 349,708            | 0                          | 91,999                         | 2,567,875                      |
| Pupil Transportation                                | 0                  | 0                    | 0                  | 2,486                      | 920                            | 3,406                          |
| Central   | 2,392,772          | 0                    | 0                  | 0                          | 117,199                        | 2,509,971                      |
| Operation of Non-Instructional Services             | 0                  | 2,921,293            | 0                  | 0                          | 8,810                          | 2,930,103                      |
| Extracurricular Activities                          | 2,905              | 0                    | 0                  | 0                          | 0                              | 2,905                          |
| <b>Debt Service:</b>                                |                    |                      |                    |                            |                                |                                |
| Principal Retirement                                | 42,443             | 0                    | 0                  | 0                          | 0                              | 42,443                         |
| Interest and Fiscal Charges                         | 3,557              | 0                    | 0                  | 0                          | 0                              | 3,557                          |
| <b>Total Expenditures</b>                           | <b>44,609,446</b>  | <b>6,376,978</b>     | <b>2,015,240</b>   | <b>2,486</b>               | <b>3,061,803</b>               | <b>56,065,953</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>1,844,824</b>   | <b>(696,833)</b>     | <b>(220,461)</b>   | <b>(2,486)</b>             | <b>(281,821)</b>               | <b>643,223</b>                 |
| <b>Other Financing Sources (Uses):</b>              |                    |                      |                    |                            |                                |                                |
| Transfers In  | 0                  | 0                    | 0                  | 0                          | 6,860                          | 6,860                          |
| Transfers (Out)                                     | (6,860)            | 0                    | 0                  | 0                          | 0                              | (6,860)                        |
| <b>Total Other Financing Sources (Uses)</b>         | <b>(6,860)</b>     | <b>0</b>             | <b>0</b>           | <b>0</b>                   | <b>6,860</b>                   | <b>0</b>                       |
| <b>Net Change in Fund Balance</b>                   | <b>1,837,964</b>   | <b>(696,833)</b>     | <b>(220,461)</b>   | <b>(2,486)</b>             | <b>(274,961)</b>               | <b>643,223</b>                 |
| <b>Fund Balance - Beginning of Year</b>             | <b>2,657,864</b>   | <b>(392,451)</b>     | <b>(69,038)</b>    | <b>1,248,225</b>           | <b>(63,989)</b>                | <b>3,380,611</b>               |
| <b>Fund Balance - End of Year</b>                   | <b>\$4,495,828</b> | <b>(\$1,089,284)</b> | <b>(\$289,499)</b> | <b>\$1,245,739</b>         | <b>(\$338,950)</b>             | <b>\$4,023,834</b>             |

See accompanying notes to the basic financial statements.

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

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Net Change in Fund Balance - Total Governmental Funds \$643,223

Amounts reported for governmental activities in the  
 Statement of Activities are different because:

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

|  |                  |           |
|--|------------------|-----------|
| Capital assets used in governmental activities | 202,236          |           |
| Depreciation Expense                           | <u>(771,722)</u> |           |
|  |                  | (569,486) |

Governmental funds report Center pension and OPEB contributions as  
 expenditures. However in the Statement of Activities, the cost  
 of pension and OPEB benefits earned net of employer contributions is  
 reported as pension and OPEB expense.

|                       |                |           |
|-----------------------|----------------|-----------|
| Pension Contributions | 4,175,678      |           |
| Pension Expense       | (1,794,333)    |           |
| OPEB Contributions    | 72,953         |           |
| OPEB Expense          | <u>172,181</u> |           |
|                       |                | 2,626,479 |

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

|                   |                  |           |
|-------------------|------------------|-----------|
| Interest          | (43)             |           |
| Intergovernmental | (549,095)        |           |
| Other             | <u>(286,524)</u> |           |
|                   |                  | (835,662) |

Repayment of lease principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position. 42,443

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.

|                      |  |                 |
|----------------------|--|-----------------|
| Compensated Absences |  | <u>(39,424)</u> |
|----------------------|--|-----------------|

|   |  |                           |
|---|--|---------------------------|
| Change in Net Position of Governmental Activities |  | <u><u>\$1,867,573</u></u> |
|---|--|---------------------------|

See accompanying notes to the basic financial statements.

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

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|   | <u>Custodial<br/>Fund</u> |
|---|---------------------------|
| Assets:   |                           |
| Equity in Pooled Cash and Investments                           | <u>\$306,207</u>          |
| Total Assets  | <u>306,207</u>            |
| Net Position:   |                           |
| Restricted for Individuals, Organizations and Other Governments | <u>306,207</u>            |
| Total Net Position  | <u><u>\$306,207</u></u>   |

See accompanying notes to the basic financial statements.

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

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|   | <u>Custodial<br/>Fund</u> |
|---|---------------------------|
| Additions:                              |                           |
| Collections for Shared Resource Center  | <u>\$2,664,131</u>        |
| Total Additions                         | <u>2,664,131</u>          |
| Deductions:                             |                           |
| Distributions to Shared Resource Center | <u>2,428,537</u>          |
| Total Deductions                        | <u>2,428,537</u>          |
| Change in Net Position                  | 235,594                   |
| Net Position - Beginning of Year        | <u>70,613</u>             |
| Net Position - End of Year              | <u><u>\$306,207</u></u>   |

See accompanying notes to the basic financial statements.



**Montgomery County Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**Note 1 – Description of the Center and Reporting Entity**

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The Montgomery County Educational Service Center (the Center) is located in Dayton, Ohio, the county seat. The Montgomery County Board of Education was established in 1914, and in 1995, the legislature mandated the name change to Center. The Center supplies supervisory, special education, administrative, and other services to many school districts throughout the Miami Valley. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Montgomery County Educational Service Center operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Center has 196 classified staff employees, 265 certified (licensed teaching personnel), and 13 administrative employees that provide services to the local, exempted village, and city school districts.

**Reporting Entity**

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

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 that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. The Center has no component units.

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

**Jointly Governed Organizations:**

- Metropolitan Educational Technology Association
- Southwestern Ohio Educational Purchasing Council
- Shared Resource Center Regional Council of Governments

**Insurance Purchasing Pools:**

- CompManagement Workers' Compensation Group Rating Plan
- Ohio School Plan

**Public Entity Shared Risk Pool**

- Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**Montgomery County Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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

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

**Measurement Focus**

**Government-wide Financial Statements**

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.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Center are included on the Statement of Net Position. Fiduciary Funds are not included in entity-wide statements.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program 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. The Center allocates certain indirect costs. The indirect costs are included as part of the program expense reported for individual functions and activities. Program revenues include charges paid by the recipient of the goods or services offered by the program 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

**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, deferred outflows of resources, 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The custodial funds are reported using the economic resources measurement focus.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Fund Accounting**

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Center are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following are the Center's major governmental funds:

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

Other Grants Fund – A fund used to account for the proceeds of specific revenue sources, except for State and Federal grants that are legally restricted to expenditures for specified purposes

Title VI-B Fund – To account for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels; assist in the training of teachers, supervisors and other specialists in providing educational services to the handicapped.

Regional Transportation Fund – The Regional Transportation fund provides services to the challenged students who are placed in educational programs outside of their resident school district.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Custodial funds are custodial in nature and involve the measurement of results of operations. The Center's fiduciary funds include one custodial fund. The Center's custodial fund accounts for the activity of the Shared Resource Center Regional Council of Governments.

**Basis of Accounting**

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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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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 60 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 fiscal 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.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, deferred outflows of resources for pension and OPEB are included on the government-wide statement of net position. For more pension and OPEB related information, see Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include pension and OPEB. The amount related to pension and OPEB is only recorded on the government-wide statement of net position. For more pension and OPEB related information, see Notes 8 and 9.

Expenses/Expenditures

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

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

**Equity in Pooled Cash and Investments**

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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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During fiscal year 2022, the Center's investments were limited to negotiable certificates of deposit and money market funds, which are valued using pricing sources, as provided by the investment managers.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to \$123.

**Interfund Activity**

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

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 on the governmental activities columns of the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide Statement of Activities. The interfund services provided and used are not eliminated in the process of consolidation.

**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 expenditure/expense is reported in the year in which services are consumed.

**Leased Assets**

A leased asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. The amortization period of the leased asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. At the termination of the lease, the leased asset and associated lease liability are removed from the books of the lessee. The difference between the two amounts is accounted for as a gain or loss at that time.

**Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$5,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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add to the value of the asset or materially extend an asset's life are not capitalized.

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

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 50 years               |
| Furniture and Equipment    | 5-10 years             |
| Vehicles                   | 5-10 years             |

**Accrued Liabilities and Long-term Obligations**

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

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

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

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

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 a liability for accumulated unused sick leave for all employees after 10 years of current service with the Center.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated Absences" in the funds from which the employees will be paid.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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. Net position restricted for other purposes includes miscellaneous funds whose use is restricted to specified purposes.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Center's \$1,353,295 in restricted net position, none were restricted by enabling legislation.

**Estimates**

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

**Budgetary Process**

No budgetary information is presented because the Board of Education did not approve estimated revenues or adopt appropriations. Under Ohio law, Centers are not required to prepare a budget.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education resolution.

Assigned – resources that are intended to be used for specific purposes as approved through the Center's formal purchasing procedure by the Treasurer.

Unassigned - residual fund balance within the General Fund that is not restricted, committed, or

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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assigned. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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.

**Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

**Note 3 – Equity in Pooled Cash and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the Center's 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.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a



**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement 40, "Deposit and Investment Risk Disclosures".

**Deposits**

Custodial credit risk for deposits 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. As of June 30, 2022, \$5,783,524 of the Center's bank balance of \$6,283,524 was exposed to custodial credit risk because it was uninsured and collateralized.

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

Eligible securities pledged to the 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% of the deposits being secured; or

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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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% of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

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

| Investment Type                     | Fair Value                | Fair Value<br>Hierarchy | Weighted Average<br>Maturity (Years) |
|-------------------------------------|---------------------------|-------------------------|--------------------------------------|
| Negotiable CDs                      | \$250,050                 | Level 2                 | 0.01                                 |
| Money Market Funds                  | <u>1,246,208</u>          | N/A                     | 0.00                                 |
| Total Fair Value                    | <u><u>\$1,496,258</u></u> |                         |                                      |
| Portfolio Weighted Average Maturity |                           |                         | 0.00                                 |

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. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the Center’s recurring fair value measurements as of June 30, 2022.

Interest Rate Risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the Center’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Negotiable CDs and Money Market Funds are not rated.

Concentration of Credit Risk – The Center’s investment policy allows investments in Federal Agencies or Instrumentalities. The Center has invested 17% in Negotiable CDs and 83% in Money Market Funds.

Custodial Credit Risk - Is the risk that the Center takes 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. 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. The Center’s investment policy does not address this risk for investments.

**Note 4 – State and Local School District Funding**

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The Center, under State law, provides supervisory services to the local school districts within its territory. Each city, local, and exempted village school district that entered into an agreement with the Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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supervisory services among the Center's city, local, and exempted village school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Center. The Center may provide additional supervisory services if the majority of the client school districts agree to the services and the apportionment of the costs to all of the client school districts.

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

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

**Note 5 – Receivables**

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

During fiscal year 2017, the Center initiated a loan in the form of a promissory note to the Shared Resource Center Regional Council of Governments (the Council) for its initial operating costs. The Council promised to pay the Center the principal sum with interest accruing at a rate of three percent (3%) annually. The Council must pay the entire amount due not later than February 17, 2020, unless an agreement is formed to extend the due date. During fiscal year 2018, a formal agreement was formed to extend the due date to a later date which is yet to be agreed upon. Time for payment of the notes may be extended from time to time and the notes may be renewed from time to time, all without notice and without affecting, in any manner, the liability for payment of the notes. The notes may be prepaid in full or in part at any time, without penalty. At June 30, 2022, the amount of this note is \$1,225,000, which the Center has reported as notes receivable.

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**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

**Note 6 – Capital Assets**

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

|   | Restated<br>Beginning<br>Balance | Additions          | Deletions  | Ending<br>Balance    |
|---|----------------------------------|--------------------|------------|----------------------|
| <b>Governmental Activities</b>                |                                  |                    |            |                      |
| <b>Capital Assets, not being depreciated:</b> |                                  |                    |            |                      |
| Land  | \$182,098                        | \$0                | \$0        | \$182,098            |
| Total Capital Assets, not being depreciated   | 182,098                          | 0                  | 0          | 182,098              |
| <b>Capital Assets, being depreciated:</b>     |                                  |                    |            |                      |
| Buildings and Improvements                    | 17,270,700                       | 0                  | 0          | 17,270,700           |
| Furniture and Equipment                       | 3,956,669                        | 202,236            | 0          | 4,158,905            |
| Vehicles                                      | 974,827                          | 0                  | 0          | 974,827              |
| Total Capital Assets, being depreciated       | 22,202,196                       | 202,236            | 0          | 22,404,432           |
| Totals at Historical Cost                     | <u>22,384,294</u>                | <u>202,236</u>     | <u>0</u>   | <u>22,586,530</u>    |
| Less Accumulated Depreciation:                |                                  |                    |            |                      |
| Buildings and Improvements                    | 2,950,338                        | 603,314            | 0          | 3,553,652            |
| Furniture and Equipment                       | 3,541,574                        | 80,922             | 0          | 3,622,496            |
| Vehicles                                      | 788,417                          | 29,492             | 0          | 817,909              |
| Total Accumulated Depreciation                | <u>7,280,329</u>                 | <u>713,728</u>     | <u>0</u>   | <u>7,994,057</u>     |
| Governmental Activities Capital Assets, Net   | <u>\$15,103,965</u>              | <u>(\$511,492)</u> | <u>\$0</u> | <u>\$14,592,473</u>  |
| Leased Assets:                                |                                  |                    |            |                      |
| Building                                      | 1,681,824                        | 0                  | 0          | 1,681,824            |
| Total Leased Asset, Being depreciated         | 1,681,824                        | 0                  | 0          | 1,681,824            |
| Less: Accumulated Amortization                | 0                                | 57,994             | 0          | 57,994               |
| Total Leased Asset, net                       | <u>1,681,824</u>                 | <u>(57,994)</u>    | <u>0</u>   | <u>1,623,830</u>     |
| Governmental Activities Capital Assets, Net   | <u>\$ 16,785,789</u>             | <u>(569,486)</u>   | <u>0</u>   | <u>\$ 16,216,303</u> |

Depreciation expense was charged to governmental functions as follows:

|   |                  |
|---|------------------|
| Instruction:                            |                  |
| Special                                 | \$66,864         |
| Support Services:                       |                  |
| Pupil                                   | 110,225          |
| Instructional Staff                     | 195,053          |
| School Administration                   | 22,971           |
| Fiscal                                  | 21,127           |
| Operations and Maintenance              | 271,227          |
| Pupil Transportation                    | 45,964           |
| Central                                 | 32,017           |
| Operation of Non-Instructional Services | 6,274            |
| Total Depreciation Expense              | <u>\$771,722</u> |

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Note 7 – Risk Management**

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**Property and Liability**

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 2002, the Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (See Note 14). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Center pays this annual premium to the OSP. The Center contracts for property, fleet, violence, pollution, and liability insurance with OSP.

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

**Workers' Compensation**

For fiscal year 2022, the Center participated in the CompManagement Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The plan is intended to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sedgewick provides administrative, cost control and actuarial services to the GRP.

**Medical Benefits**

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

**Note 8 - Defined Benefit Pension Plans**

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The Statewide retirement systems provide both pension benefits 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/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 net pension/OPEB liability (asset) represent the Center's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies,

**Montgomery County Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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

The remainder of this note includes the required pension disclosures. See Note 9 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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

**Montgomery County Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.20% for the first thirty years of service and 2.50% 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 2.50% and with a floor of 0.00%. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.50% COLA for calendar year 2021 and 2.50% for 2022.

**Funding Policy**

Plan members are required to contribute 10.00% of their annual covered salary and the Center is required to contribute 14.00% 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 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Center's contractually required contribution to SERS was \$1,357,136 for fiscal year 2022. Of this amount \$0 is reported as accrued wages and benefits.

**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.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% 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 0.00% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 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% of the 14.00% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47% of the 14.00% 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, 12.00% of the 14.00% member rate is deposited into the member's DC account and the remaining 2.00% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who



**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Funding Policy**

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14.00% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Center’s contractually required contribution to STRS was \$2,818,542 for fiscal year 2022. Of this amount \$412,712 is reported as accrued wages and benefits.

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

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

|  | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u> |
|--|--------------------|--------------------|--------------|
| Proportionate Share of the Net Pension Liability | \$8,921,390        | \$20,650,324       | \$29,571,714 |
| Proportion of the Net Pension Liability:         |                    |                    |              |
| Current Measurement Date                         | 0.24179110%        | 0.16150858%        |              |
| Prior Measurement Date                           | <u>0.22893600%</u> | <u>0.15463315%</u> |              |
| Change in Proportionate Share                    | 0.01285510%        | 0.00687543%        |              |
| Pension Expense                                  | \$708,574          | \$1,085,759        | \$1,794,333  |

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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

|  | SERS               | STRS                | Total               |
|--|--------------------|---------------------|---------------------|
| <u>Deferred Outflows of Resources</u>  |                    |                     |                     |
| Differences between expected and actual experience                               | \$861              | \$637,995           | \$638,856           |
| Changes of assumptions   | 187,858            | 5,728,770           | 5,916,628           |
| Changes in employer proportionate share of net pension liability                 | 691,074            | 3,433,724           | 4,124,798           |
| Contributions subsequent to the measurement date                                 | 1,357,136          | 2,818,542           | 4,175,678           |
| Total Deferred Outflows of Resources   | <u>\$2,236,929</u> | <u>\$12,619,031</u> | <u>\$14,855,960</u> |
| <u>Deferred Inflows of Resources</u>   |                    |                     |                     |
| Differences between expected and actual experience                               | \$231,368          | \$129,435           | \$360,803           |
| Net difference between projected and actual earnings on pension plan investments | 4,594,777          | 17,796,626          | 22,391,403          |
| Changes in employer proportionate share of net pension liability                 | 0                  | 255,045             | 255,045             |
| Total Deferred Inflows of Resources  | <u>\$4,826,145</u> | <u>\$18,181,106</u> | <u>\$23,007,251</u> |

\$4,175,678 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year<br>Ending June 30: | SERS                 | STRS                 | Total                 |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2023                           | (\$621,277)          | (\$1,998,472)        | (\$2,619,749)         |
| 2024                           | (822,286)            | (1,282,725)          | (2,105,011)           |
| 2025                           | (1,092,472)          | (1,871,717)          | (2,964,189)           |
| 2026                           | (1,410,317)          | (3,227,703)          | (4,638,020)           |
| Total                          | <u>(\$3,946,352)</u> | <u>(\$8,380,617)</u> | <u>(\$12,326,969)</u> |

**Actuarial Assumptions - SERS**

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

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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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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                                    | 2.40%  | 3.00%   |
| Future Salary Increases, including inflation | 3.25% to 13.58%  | 3.50% to 18.20%                                       |
| COLA or Ad Hoc COLA                          | 2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement | 2.50%   |
| Investment Rate of Return                    | 7.00% net of system expenses   | 7.50% net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal<br>(Level Percent of Payroll)   | Entry Age Normal<br>(Level Percent of Payroll)        |

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% 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, 120.00% of male rates, and 110.00% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90.00% for male rates and 100.00% for female rates, set back five years is used for the period after disability retirement.

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

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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

| 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%. The discount rate for 2020 was 7.50%. 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%). 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 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%, 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%), or one percentage point higher (8.00%) than the current rate.

|  | 1% Decrease<br>6.00% | Current Discount Rate<br>7.00% | 1% Increase<br>8.00% |
|--|----------------------|--------------------------------|----------------------|
| Proportionate share of the net pension liability | \$14,843,003         | \$8,921,390                    | \$3,927,436          |

**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:

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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|                                   |  |  |
|-----------------------------------|--|--|
| Inflation                         | 2.50%  | 2.50%  |
| Projected Salary Increases        | 12.50% at age 20 to<br>2.50% at age 65                   | 12.50% at age 20 to<br>2.50% at age 65                   |
| Investment Rate of Return         | 7.00% net of investments<br>expense, including inflation | 7.45% net of investments<br>expense, including inflation |
| Discount Rate of Return           | 7.00%  | 7.45%  |
| Payroll Increases                 | 3.00%  | 3.00%  |
| Cost-of-Living Adjustments (COLA) | 0.00%  | 0.00%  |

Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% 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 90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021, and was

**Montgomery County Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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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 rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

**Sensitivity of the 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%, 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%) or one-percentage-point higher (8.00%) than the current rate:

|  | 1%<br>Decrease<br>6.00% | Current<br>Discount Rate<br>7.00% | 1%<br>Increase<br>8.00% |
|--|-------------------------|-----------------------------------|-------------------------|
| Proportionate share of the net pension liability | \$38,670,327            | \$20,650,324                      | \$5,423,459             |

**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.

**Note 9 - Defined Benefit OPEB Plans**

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See Note 8 for a description of the net OPEB liability (asset).

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

**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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 14.00% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Center's surcharge obligation was \$72,953.

The surcharge, added to the allocated portion of the 14.00% employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was \$72,953 for fiscal year 2022. Of this amount, \$72,953 is reported as accrued wages and benefits.

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

**Plan Description**

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

**Montgomery County Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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**Funding Policy**

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.00% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

**Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability (asset) 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:

|   | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u> |
|---|--------------------|--------------------|--------------|
| Proportionate Share of the Net OPEB Liability | \$4,220,857        | \$0                | \$4,220,857  |
| Proportionate Share of the Net OPEB (Asset)   | 0                  | (3,405,276)        | (3,405,276)  |
| Proportion of the Net OPEB Liability/Asset:   |                    |                    |              |
| Current Measurement Date                      | 0.22302110%        | 0.16150858%        |              |
| Prior Measurement Date                        | <u>0.21336900%</u> | <u>0.15463315%</u> |              |
| Change in Proportionate Share                 | 0.00965210%        | 0.00687543%        |              |
| OPEB Expense                                  | \$39,571           | (\$211,752)        | (\$172,181)  |

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



**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

|   | SERS               | STRS               | Total              |
|---|--------------------|--------------------|--------------------|
| <u>Deferred Outflows of Resources</u>   |                    |                    |                    |
| Differences between expected and actual experience                            | \$44,991           | \$121,253          | \$166,244          |
| Changes of assumptions  | 662,153            | 217,514            | 879,667            |
| Changes in employer proportionate share of net OPEB liability                 | 856,703            | 166,612            | 1,023,315          |
| Contributions subsequent to the measurement date                              | 72,953             | 0                  | 72,953             |
| Total Deferred Outflows of Resources  | <u>\$1,636,800</u> | <u>\$505,379</u>   | <u>\$2,142,179</u> |
| <u>Deferred Inflows of Resources</u>  |                    |                    |                    |
| Differences between expected and actual experience                            | \$2,102,177        | \$623,911          | \$2,726,088        |
| Changes of assumptions  | 578,011            | 2,031,500          | 2,609,511          |
| Net difference between projected and actual earnings on OPEB plan investments | 91,700             | 943,882            | 1,035,582          |
| Changes in employer proportionate share of net OPEB liability                 | 0                  | 122,042            | 122,042            |
| Total Deferred Inflows of Resources   | <u>\$2,771,888</u> | <u>\$3,721,335</u> | <u>\$6,493,223</u> |

\$72,953 reported as deferred outflows of resources related to OPEB resulting from 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:

| Fiscal Year<br>Ending June 30: | SERS                 | STRS                 | Total                |
|--------------------------------|----------------------|----------------------|----------------------|
| 2023                           | (\$250,272)          | (\$904,029)          | (\$1,154,301)        |
| 2024                           | (250,915)            | (880,408)            | (1,131,323)          |
| 2025                           | (273,168)            | (921,393)            | (1,194,561)          |
| 2026                           | (262,822)            | (383,111)            | (645,933)            |
| 2027                           | (133,741)            | (130,690)            | (264,431)            |
| Thereafter                     | (37,123)             | 3,675                | (33,448)             |
| Total                          | <u>(\$1,208,041)</u> | <u>(\$3,215,956)</u> | <u>(\$4,423,997)</u> |

**Actuarial Assumptions - SERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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

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

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

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

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% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% 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 105.50% for males and adjusted 122.50% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120.00% of male rates and 110.00% of female rates. RP-2000 Disabled Mortality Table with 90.00% for male rates and 100.00% 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%, 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, 2020 five-year experience study, are summarized as follows:

| Asset Class                 | Target<br>Allocation | Long-Term<br>Expected Real<br>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%. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63%. 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% of projected covered payroll each year, which includes a 1.50% 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

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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% at June 30, 2021 and 2.45% at June 30, 2020.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

|   | 1%<br>Decrease<br>(1.27%)                     | Current<br>Discount Rate<br>(2.27%)                  | 1%<br>Increase<br>(3.27%)                     |
|---|---|--|---|
| Proportionate share of the net OPEB liability | \$5,230,153                                   | \$4,220,857  | \$3,414,560                                   |
|   | 1% Decrease<br>(5.75% decreasing<br>to 3.40%) | Current Trend Rate<br>(6.75% decreasing<br>to 4.40%) | 1% Increase<br>(7.75% decreasing<br>to 5.40%) |
| Proportionate share of the net OPEB liability | \$3,249,714                                   | \$4,220,857  | \$5,518,006                                   |

**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% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment Rate of Return  | 7.00%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Payroll Increases          | 3.00%   | 3.00%   |
| Discount Rate of Return    | 7.00%   | 7.45%   |
| Health Care Cost Trends:   |   |   |
| Medical                    |   |   |
| Pre-Medicare               | 5.00% initial, 4.00% ultimate                             | 5.00% initial, 4.00% ultimate                             |
| Medicare                   | -16.18% initial, 4.00% ultimate                           | -6.69% initial, 4.00% ultimate                            |
| Prescription Drug          |   |   |
| Pre-Medicare               | 6.50% initial, 4.00% ultimate                             | 6.50% initial, 4.00% ultimate                             |
| Medicare                   | 29.98% initial, 4.00% ultimate                            | 11.87% initial, 4.00% ultimate                            |

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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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 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% 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 90.00% of rates for males and 100.00% 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% to 2.10% 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.

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

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00% 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 assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB liability as of June 30, 2021.

**Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | 1%<br>Decrease<br>(6.00%) | Current<br>Discount Rate<br>(7.00%) | 1%<br>Increase<br>(8.00%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Proportionate share of the net OPEB (asset) | (\$2,873,527)             | (\$3,405,276)                       | (\$3,849,473)             |
|   | 1%<br>Decrease            | Current<br>Trend Rate               | 1%<br>Increase            |
| Proportionate share of the net OPEB (asset) | (\$3,831,474)             | (\$3,405,276)                       | (\$2,878,243)             |

**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 (asset) is unknown.

**Note 10 – Other Employee Benefits**

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**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All 12 month employees earn 10 to 23 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to all staff who have any accumulated vacation upon termination of employment. Teachers do not earn vacation time.

All regular, full-time employees earn three days of personal leave per fiscal year. All regular, part-time staff earn personal leave at a prorated rate based upon the percentage they work compared to full-time. All personal leave must be used by fiscal year-end and cannot be carried forward.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 285 days for all personnel. Upon retirement, employees with 10 or more years of current service with the public schools of Ohio receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 66 days.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Insurance Benefits**

The Center provides life insurance and accidental death and dismemberment insurance to full-time employees through Securian Financial. Dental insurance is provided through Delta Dental.

**Deferred Compensation Plan**

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

**Note 11 – Long-Term Obligations**

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

|                                 | Restated<br>Beginning<br>Outstanding | Additions        | Deductions          | Ending<br>Outstanding | Due In<br>One Year |
|---------------------------------|--------------------------------------|------------------|---------------------|-----------------------|--------------------|
| <b>Governmental Activities:</b> |                                      |                  |                     |                       |                    |
| Leased Liability                | \$1,681,824                          | \$0              | \$42,443            | \$1,639,381           | \$43,532           |
| Compensated Absences            | 793,114                              | 272,814          | 256,400             | 809,528               | 249,706            |
| Net Pension Liability           | 52,558,030                           | 0                | 22,986,316          | 29,571,714            | 0                  |
| Net OPEB Liability              | 4,637,207                            | 0                | 416,350             | 4,220,857             | 0                  |
| Total Long-Term Obligations     | <u>\$59,670,175</u>                  | <u>\$272,814</u> | <u>\$23,701,509</u> | <u>\$36,241,480</u>   | <u>\$293,238</u>   |

Leased liability will be paid from the General fund. Compensated absences will be paid from the General and Miscellaneous State Grants funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

**Note 12 - Lease Liability – Leased Assets**

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The Center entered into a lease agreement with the Northridge Local School District Board of Education for the building known as the Northridge High School located at 2551 Timber Lane, Dayton, Ohio 45414. Annual rent payments for the lease are \$250,000 for the entire term of the lease. The payments owed to the lessor by the Center shall be off-set by the actual cost of improvements that the Center makes to the premises. However, these offsets shall not exceed \$180,000 per year.

The term of the lease is 30 years. If the Center is in full compliance with the terms of the lease, they have the option to renew the lease for an additional term of ten years. The lease does not include a purchase option or obligation for the Center at the conclusion of the lease term.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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During the period, there were no outflows of resources recognized for variable payments not previously included in the measurement of the lease liability. Also, there were no outflows of resources recognized for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability during the period. There were no commitments under leases before the commencement of the lease term.

Principal and interest amounts for the next five years and thereafter are as follows:

| Fiscal Year<br>Ending June 30, | Principal          | Interest        | Total              |
|--------------------------------|--------------------|-----------------|--------------------|
| 2023                           | \$43,532           | \$3,468         | \$47,000           |
| 2024                           | 44,624             | 3,376           | 48,000             |
| 2025                           | 45,719             | 3,281           | 49,000             |
| 2026                           | 46,816             | 3,184           | 50,000             |
| 2027                           | 47,915             | 3,085           | 51,000             |
| 2028-2032                      | 256,140            | 13,860          | 270,000            |
| 2033-2037                      | 283,966            | 11,034          | 295,000            |
| 2038-2042                      | 312,088            | 7,912           | 320,000            |
| 2043-2047                      | 340,509            | 4,491           | 345,000            |
| 2048-2050                      | 218,072            | 928             | 219,000            |
|                                | <u>\$1,639,381</u> | <u>\$54,619</u> | <u>\$1,694,000</u> |

**Note 13 – Interfund Balances/Transfers**

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Interfund transactions at June 30, 2022, consisted of the following individual fund receivables and payables and transfers in and out:

|                          | Interfund          |                    | Transfers      |                |
|--------------------------|--------------------|--------------------|----------------|----------------|
|                          | Receivable         | Payable            | In             | Out            |
| General Fund             | \$1,906,029        | \$0                | \$0            | \$6,860        |
| Other Grant Fund         | 15,766             | \$825,707          | 0              | 0              |
| Title VI-B Fund          | 0                  | \$258,441          | 0              | 0              |
| Other Governmental Funds | 59,874             | 897,521            | 6,860          | 0              |
| Total All Funds          | <u>\$1,981,669</u> | <u>\$1,981,669</u> | <u>\$6,860</u> | <u>\$6,860</u> |

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and to segregate and to return money to the fund from which it was originally provided once a project is completed.

All interfund balances are expected to be paid within one year.

**Note 14 – Jointly Governed Organizations, Insurance Purchasing Pools and Public Entity Shared Risk Pool**

**Jointly Governed Organizations**

**Metropolitan Educational Technology Association (META)** - The Center was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). During 2016, MDECA merged with



**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president and eleven board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each District and Centers' degree of control is limited to its representation on the Board. The Center paid META \$46,583 for services provided during the fiscal year. Financial information can be obtained from the Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

**Southwestern Ohio Educational Purchasing Council** -The Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 260 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. Title to any and all equipment, furniture, and supplies purchased by SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2022, the Center paid \$1,708 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, the Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**Shared Resource Center Regional Council of Governments** – The Center participates in the Shared Resources Center Regional Council of Governments (the Council), a jointly governed organization consisting of educational entities within Montgomery County. The purpose of the Council is to provide cost effective services to its members and to other entities, enhance and facilitate relationships between stakeholders in the public and private sector, and collaborate on research and development for innovations in education and local government. The Council is governed by a Governing Board, consisting of one individual from each of the three members, including the Center. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Board. Financial information can be obtained from Montgomery County Educational Service Center (the fiscal agent), 200 South Keowee Street, Dayton, Ohio 45402.

**Insurance Purchasing Pools**

**CompManagement Workers' Compensation Group Rating (the Group)** - The Center participates in the CompManagement Workers' Compensation Group Rating Program, an insurance purchasing pool. The Group's business and affairs are conducted by CompManagement Corporation. Each year the participating districts pay an enrollment fee to the Group to cover the costs of administering the program.

**Ohio School Plan** - The Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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conducted by a 12 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**Public Entity Shared Risk Pool**

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

**Note 15 – Accountability**

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The following funds had deficit fund balances as of June 30, 2022:

|                              |             |
|------------------------------|-------------|
| Other Grants                 | \$1,089,284 |
| Title VI-B                   | 289,449     |
| Other Governmental Funds:    |             |
| Food Service                 | 1,950       |
| Miscellaneous State Grants   | 126,398     |
| Title I                      | 10,297      |
| ECO Training                 | 14,264      |
| Miscellaneous Federal Grants | 80,331      |
| Title III                    | 1,885       |
| American Rescue Plan Act     | 158,892     |
| GEER                         | 52,489      |

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in fiscal year 2023. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Note 16 – Fund Balances**

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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 fund balance for the major governmental funds and all other governmental funds are presented below:

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

| Fund Balances                | General     | Other Grants  | Title VI-B | Regional<br>Transportation | Other<br>Governmental<br>Funds | Total       |
|------------------------------|-------------|---------------|------------|----------------------------|--------------------------------|-------------|
| <b>Nonspendable:</b>         |             |               |            |                            |                                |             |
| Prepays                      | \$21,443    | \$1,162       | \$485      | \$0                        | \$254                          | \$23,344    |
| Notes Receivable             | 1,225,000   | 0             | 0          | 0                          | 0                              | 1,225,000   |
| <b>Total Nonspendable</b>    | 1,246,443   | 1,162         | 485        | 0                          | 254                            | 1,248,344   |
| <b>Restricted for:</b>       |             |               |            |                            |                                |             |
| Data Communication           | 0           | 0             | 0          | 0                          | 16,200                         | 16,200      |
| Scholarship                  | 0           | 0             | 0          | 0                          | 6,125                          | 6,125       |
| Rotary                       | 0           | 0             | 0          | 0                          | 20,342                         | 20,342      |
| Regional Transportation      | 0           | 0             | 0          | 1,245,739                  | 0                              | 1,245,739   |
| DASA/Employee                | 0           | 0             | 0          | 0                          | 5,015                          | 5,015       |
| Ohio Resident Educator Grant | 0           | 0             | 0          | 0                          | 59,874                         | 59,874      |
| <b>Total Restricted</b>      | 0           | 0             | 0          | 1,245,739                  | 107,556                        | 1,353,295   |
| <b>Assigned to:</b>          |             |               |            |                            |                                |             |
| Encumbrances                 | 1,707,151   | 0             | 0          | 0                          | 0                              | 1,707,151   |
| <b>Total Assigned</b>        | 1,707,151   | 0             | 0          | 0                          | 0                              | 1,707,151   |
| <b>Unassigned (Deficit)</b>  | 1,542,234   | (1,090,446)   | (289,984)  | 0                          | (446,760)                      | (284,956)   |
| <b>Total Fund Balance</b>    | \$4,495,828 | (\$1,089,284) | (289,499)  | \$1,245,739                | (\$338,950)                    | \$4,023,834 |

**Note 17 – Contingencies**

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2022.

**Litigation**

There are currently no matters in litigation with the Center as defendant.

**Note 18 – Implementation of New Accounting Principles and Restatement of Net Position/Fund Balance**

**New Accounting Principles**

For fiscal year 2022, the Center implemented GASB Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, and GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.

**Montgomery County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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GASB Statement No. 87 sets out to improve the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

*Effect on Previously Reported Net Position* The implementation of the GASB 87 pronouncement had no net effect on the net position as reported at June 30, 2021:

|                                      |                              |
|--------------------------------------|------------------------------|
| Net Position, June 30, 2021          | (\$26,958,667)               |
| Adjustments-Presentation Changes:    |                              |
| Leased Assets                        | 1,681,824                    |
| Lease Liability                      | <u>(1,681,824)</u>           |
| Restated Net Position, June 30, 2021 | <u><u>(\$26,958,667)</u></u> |

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in 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.

**Note 19 – COVID-19**

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

# **REQUIRED SUPPLEMENTARY INFORMATION**

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Montgomery 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 Fiscal Years (1) (2)

| Year | Center's Proportion of the Net Pension Liability | Center's Proportionate Share of the Net Pension Liability | Center's Covered-Employee Payroll | Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|--|---|-----------------------------------|---|--|
| 2022 | 0.24179110%                                      | \$8,921,390   | \$8,346,007                       | 106.89%   | 82.86%   |
| 2021 | 0.22893600%                                      | 15,142,309  | 8,025,993                         | 188.67%   | 68.55%   |
| 2020 | 0.21383480%                                      | 12,794,111  | 7,335,741                         | 174.41%   | 70.85%   |
| 2019 | 0.18803410%                                      | 10,769,061  | 6,314,415                         | 170.55%   | 71.36%   |
| 2018 | 0.17604950%                                      | 10,518,569  | 6,139,621                         | 171.32%   | 69.50%   |
| 2017 | 0.17788510%                                      | 13,019,548  | 5,570,857                         | 233.71%   | 62.98%   |
| 2016 | 0.20395370%                                      | 11,637,797  | 6,498,596                         | 179.08%   | 69.16%   |
| 2015 | 0.19182200%                                      | 9,708,002   | 5,630,281                         | 172.42%   | 71.70%   |
| 2014 | 0.19182200%                                      | 11,410,460  | 5,073,194                         | 224.92%   | 65.52%   |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Montgomery County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Contributions for Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

| Year | Center's Contractually Required Contribution | Center's Contributions in Relation to the Contractually Required Contribution | Center's Contribution Deficiency (Excess) | Center's Covered-Employee Payroll | Center's Contributions as a Percentage of Covered-Employee Payroll |
|------|--|---|---|-----------------------------------|--|
| 2022 | \$1,357,136                                  | (\$1,357,136)   | \$0                                       | \$9,693,829                       | 14.00%   |
| 2021 | 1,168,441                                    | (1,168,441)   | 0   | 8,346,007                         | 14.00%   |
| 2020 | 1,123,639                                    | (1,123,639)   | 0   | 8,025,993                         | 14.00%   |
| 2019 | 990,325                                      | (990,325)   | 0   | 7,335,741                         | 13.50%   |
| 2018 | 852,446                                      | (852,446)   | 0   | 6,314,415                         | 13.50%   |
| 2017 | 859,547                                      | (859,547)   | 0   | 6,139,621                         | 14.00%   |
| 2016 | 779,920                                      | (779,920)   | 0   | 5,570,857                         | 14.00%   |
| 2015 | 856,515                                      | (856,515)   | 0   | 6,498,596                         | 13.18%   |
| 2014 | 780,357                                      | (780,357)   | 0   | 5,630,281                         | 13.86%   |
| 2013 | 702,130                                      | (702,130)   | 0   | 5,073,194                         | 13.84%   |

See accompanying notes to the required supplementary information.

Montgomery 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 Fiscal Years (1) (2)

| Year | Center's Proportion of the Net Pension Liability | Center's Proportionate Share of the Net Pension Liability | Center's Covered-Employee Payroll | Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|--|---|-----------------------------------|---|--|
| 2022 | 0.16150858%                                      | \$20,650,324  | \$19,837,671                      | 104.10%   | 87.78%   |
| 2021 | 0.15463315%                                      | 37,415,721  | 18,664,336                        | 200.47%   | 75.48%   |
| 2020 | 0.14261730%                                      | 31,538,959  | 17,184,293                        | 183.53%   | 77.40%   |
| 2019 | 0.13272013%                                      | 29,182,177  | 15,144,550                        | 192.69%   | 77.30%   |
| 2018 | 0.13956963%                                      | 33,155,064  | 15,479,750                        | 214.18%   | 75.30%   |
| 2017 | 0.13229514%                                      | 44,283,171  | 14,060,350                        | 314.95%   | 66.80%   |
| 2016 | 0.13429051%                                      | 37,113,970  | 14,173,557                        | 261.85%   | 72.10%   |
| 2015 | 0.12080229%                                      | 29,383,298  | 13,292,092                        | 221.06%   | 74.70%   |
| 2014 | 0.12080229%                                      | 34,906,932  | 13,820,008                        | 252.58%   | 69.30%   |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.



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

| Year | Center's Contractually Required Contribution | Center's Contributions in Relation to the Contractually Required Contribution | Center's Contribution Deficiency (Excess) | Center's Covered-Employee Payroll | Center's Contributions as a Percentage of Covered-Employee Payroll |
|------|--|---|---|-----------------------------------|--|
| 2022 | \$2,818,542                                  | (\$2,818,542)   | \$0                                       | \$20,132,443                      | 14.00%   |
| 2021 | 2,777,274                                    | (2,777,274)   | 0   | 19,837,671                        | 14.00%   |
| 2020 | 2,613,007                                    | (2,613,007)   | 0   | 18,664,336                        | 14.00%   |
| 2019 | 2,405,801                                    | (2,405,801)   | 0   | 17,184,293                        | 14.00%   |
| 2018 | 2,120,237                                    | (2,120,237)   | 0   | 15,144,550                        | 14.00%   |
| 2017 | 2,167,165                                    | (2,167,165)   | 0   | 15,479,750                        | 14.00%   |
| 2016 | 1,968,449                                    | (1,968,449)   | 0   | 14,060,350                        | 14.00%   |
| 2015 | 1,984,298                                    | (1,984,298)   | 0   | 14,173,557                        | 14.00%   |
| 2014 | 1,727,972                                    | (1,727,972)   | 0   | 13,292,092                        | 13.00%   |
| 2013 | 1,796,601                                    | (1,796,601)   | 0   | 13,820,008                        | 13.00%   |

See accompanying notes to the required supplementary information.

Montgomery 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 Fiscal Years (1) (2)

| Year | Center's Proportion of the Net OPEB Liability | Center's Proportionate Share of the Net OPEB Liability | Center's Covered-Employee Payroll | Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------|---|--|-----------------------------------|--|---|
| 2022 | 0.22302110%                                   | \$4,220,857  | \$8,346,007                       | 50.57%   | 24.08%  |
| 2021 | 0.21336900%                                   | 4,637,207  | 8,025,993                         | 57.78%   | 18.17%  |
| 2020 | 0.20340390%                                   | 5,115,180  | 7,335,741                         | 69.73%   | 15.57%  |
| 2019 | 0.18462640%                                   | 5,122,035  | 6,314,415                         | 81.12%   | 13.57%  |
| 2018 | 0.17448220%                                   | 4,682,644  | 6,139,621                         | 76.27%   | 12.46%  |
| 2017 | 0.17688015%                                   | 5,041,738  | 5,570,857                         | 90.50%   | 11.49%  |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end

See accompanying notes to the required supplementary information.

Montgomery County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Contributions for Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Seven Fiscal Years (1) (2)

| Year | Center's Contractually Required Contribution (2) | Center's Contributions in Relation to the Contractually Required Contribution | Center's Contribution Deficiency (Excess) | Center's Covered-Employee Payroll | Center's Contributions as a Percentage of Covered-Employee Payroll |
|------|--|---|---|-----------------------------------|--|
| 2022 | \$72,953   | (\$72,953)  | \$0                                       | \$9,693,829                       | 0.75%  |
| 2021 | 21,852   | (21,852)  | 0   | 8,346,007                         | 0.26%  |
| 2020 | 22,624   | (22,624)  | 0   | 8,025,993                         | 0.28%  |
| 2019 | 87,089   | (87,089)  | 0   | 7,335,741                         | 1.19%  |
| 2018 | 104,072  | (104,072)   | 0   | 6,314,415                         | 1.65%  |
| 2017 | 75,821   | (75,821)  | 0   | 6,139,621                         | 1.23%  |
| 2016 | 74,968   | (74,968)  | 0   | 5,570,857                         | 1.35%  |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Montgomery County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Proportionate Share of the Net OPEB (Asset)/Liability  
 State Teachers Retirement System of Ohio  
 Last Six Fiscal Years (1) (2)

| Year | Center's Proportion of the Net OPEB (Asset)/Liability | Center's Proportionate Share of the Net OPEB (Asset)/Liability | Center's Covered-Employee Payroll | Center's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability |
|------|---|--|-----------------------------------|--|---|
| 2022 | 0.16150858%   | (\$3,405,276)  | \$19,837,671                      | (17.17%)   | 174.73%   |
| 2021 | 0.15463315%   | (2,717,677)  | 18,664,336                        | (14.56%)   | 182.13%   |
| 2020 | 0.14261730%   | (2,362,084)  | 17,184,293                        | (13.75%)   | 174.74%   |
| 2019 | 0.13272013%   | (2,132,677)  | 15,144,550                        | (14.08%)   | 176.00%   |
| 2018 | 0.13956963%   | 5,445,492  | 15,479,750                        | 35.18%   | 47.10%  |
| 2017 | 0.13229514%   | 7,075,179  | 14,060,350                        | 50.32%   | 37.30%  |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the Center's measurement date which is the prior fiscal year end

See accompanying notes to the required supplementary information.

Montgomery County Educational Service Center  
 Required Supplementary Information  
 Schedule of the Center's Contributions for Net OPEB (Asset)/Liability  
 State Teachers Retirement System of Ohio  
 Last Seven Fiscal Years (1)

| Year | Center's Contractually Required Contribution | Center's Contributions in Relation to the Contractually Required Contribution | Center's Contribution Deficiency (Excess) | Center's Covered-Employee Payroll | Center's Contributions as a Percentage of Covered-Employee Payroll |
|------|--|---|---|-----------------------------------|--|
| 2022 | \$0  | \$0   | \$0                                       | \$20,132,443                      | 0.00%  |
| 2021 | 0  | 0   | 0   | 19,837,671                        | 0.00%  |
| 2020 | 0  | 0   | 0   | 18,664,336                        | 0.00%  |
| 2019 | 0  | 0   | 0   | 17,184,293                        | 0.00%  |
| 2018 | 0  | 0   | 0   | 15,144,550                        | 0.00%  |
| 2017 | 0  | 0   | 0   | 15,479,750                        | 0.00%  |
| 2016 | 0  | 0   | 0   | 14,060,350                        | 0.00%  |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

**Montgomery County Educational Service Center  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2022**

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**Note 1 - Net Pension Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

2022: Cost of Living Adjustments (COLA) increased from 0.50% to 2.50%.

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 3.00% annual increase to a Cost of Living Adjustments (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.50% and a floor of 0.00%.

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

**Changes in Assumptions:**

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.00% to 2.40%,
- (2) Payroll growth assumption was reduced from 3.50% to 1.75%,
- (3) Assumed real wage growth was increased from 0.50% to 0.85%,
- (4) Cost of Living Adjustments (COLA) was reduced from 2.50% to 2.00%,
- (5) The discount rate was reduced from 7.50% to 7.00%,
- (6) Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and,
- (7) Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

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.

**Montgomery County Educational Service Center  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2022**

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**State Teachers Retirement System (STRS)**

**Changes in Benefit Terms:**

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.

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

**Changes in Assumptions:**

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

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.

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

**Note 2 - Net OPEB (Asset)/Liability**

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**School Employees Retirement System (SERS)**

**Changes in Benefit Terms:**

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

**Changes in Assumptions:**

2022: 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:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 2.63% |
| Measurement Date       | 2.27% |
- (2) Investment Rate of Return:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 7.50% |
| Measurement Date       | 7.00% |
- (3) Assumed Rate of Inflation:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.00% |
| Measurement Date       | 2.40% |
- (4) Payroll Growth Assumption:

**Montgomery County Educational Service Center  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2022**

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- Prior Measurement Date 3.50%
- Measurement Date 1.75%
- (5) Assumed Real Wage Growth:
  - Prior Measurement Date 0.50%
  - Measurement Date 0.85%
- (6) Municipal Bond Index Rate:
  - Prior Measurement Date 2.45%
  - Measurement Date 1.92%
- (7) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 2.63%
  - Measurement Date 2.27%
- (8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (9) Rate of health care participation for future retirees and spouses was updated to reflect recent.
- (10) Mortality among active members was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Employee mortality table.
- (11) Mortality among service retired members was updated to the following:
  - a. 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% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
  - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

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) 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%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 3.22%
  - Measurement Date 2.63%

2020: 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:
  - Prior Measurement Date 3.70%
  - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
  - Prior Measurement Date 3.62%
  - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:



**Montgomery County Educational Service Center  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2022**

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|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.70% |
| Measurement Date       | 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) Discount Rate:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date       | 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,
- (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: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The

**Montgomery County Educational Service Center  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2022**

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Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 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 2.10% to 1.90% 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:**

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

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.

**Montgomery County Educational Service Center  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2022**

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

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**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER  
MONTGOMERY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>Program / Cluster Title</b>   | <b>Federal<br/>Assistance<br/>Listing<br/>Number</b> | <b>Pass Through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Federal<br/>Receipts</b> | <b>(1)<br/>Federal<br/>Expenditures</b> |
|---|--|---|-----------------------------|---|
| <b>U.S. DEPARTMENT OF DEFENSE</b>   |  |   |                             |   |
| <b>Passed Through RTI International</b>                                       |  |   |                             |   |
| DOD, NDEP, DOTC-STEM Education Outreach Implementation                        | 12.560   | N/A   | \$188,948                   | \$234,242                               |
| Total U.S. Department of Defense  |  |   | <u>188,948</u>              | <u>234,242</u>                          |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |  |   |                             |   |
| <b>Passed Through Ohio Department of Education</b>                            |  |   |                             |   |
| Title I Grants to Local Educational Agencies                                  | 84.010   | N/A   | 87,718                      | 107,938                                 |
| Special Education Cluster (IDEA)  |  |   |                             |   |
| <b>Passed Through Wright State University</b>                                 |  |   |                             |   |
| Special Education Grants to States  | 84.027   | N/A   |                             | 1,741                                   |
| <b>Passed Through Ohio Department of Education</b>                            |  |   |                             |   |
| Special Education Grants to States  | 84.027   | N/A   | 1,624,247                   | 1,879,486                               |
| Total Special Education Grants to States                                      |  |   | <u>1,624,247</u>            | <u>1,881,227</u>                        |
| Special Education Preschool Grants  | 84.173   | N/A   | 85,420                      | 112,802                                 |
| Total Special Education Cluster (IDEA)  |  |   | <u>1,709,667</u>            | <u>1,994,029</u>                        |
| English Language Acquisition State Grants                                     | 84.365   | N/A   | 27,921                      | 22,934                                  |
| Supporting Effective Instruction State Grants                                 | 84.367   | N/A   | 6,464                       | 192                                     |
| COVID-19 Education Stabilization Fund   |  |   |                             |   |
| Governor's Emergency Education Relief Fund                                    | 84.425C  | N/A   | 235,566                     | 351,500                                 |
| Elementary and Secondary School Emergency Relief Fund                         | 84.425D  | N/A   | 1,061,024                   | 1,556,068                               |
| American Rescue Plan Elementary and Secondary School<br>Emergency Relief Fund | 84.425U  | N/A   |                             | 8,260                                   |
| Total COVID-19 Education Stabilization Fund                                   |  |   | <u>1,296,590</u>            | <u>1,915,828</u>                        |
| Total U.S. Department of Education  |  |   | <u>3,128,360</u>            | <u>4,040,921</u>                        |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                           |  |   |                             |   |
| <b>Passed Through Ohio Department of Mental Health and Addiction Services</b> |  |   |                             |   |
| Block Grants for Community Mental Health Services                             | 93.958   | N/A   | 25,000                      |   |
| Total U.S. Department of Health and Human Services                            |  |   | <u>25,000</u>               |   |
| Total Receipts and Expenditures of Federal Awards                             |  |   | <u>\$3,342,308</u>          | <u>\$4,275,163</u>                      |

(1) - There were no amounts passed through to subrecipients.

N/A - No agency pass-through or other identifying number was available for this program.

The accompanying notes are an integral part of this schedule.

**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Montgomery County Educational Service Center (the Center) under programs of the federal government for the fiscal year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position or changes in net position of the Center.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D – MATCHING REQUIREMENTS**

Certain Federal programs require the Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

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

Montgomery County Educational Service Center  
Montgomery County  
200 South Keowee Street  
Dayton, Ohio 45402

To the Board of Education:

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, each major fund, and the aggregate remaining fund information of the Montgomery County Educational Service Center, Montgomery County, (the Center) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 6, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center.

### ***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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 6, 2023



# OHIO AUDITOR OF STATE KEITH FABER



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

Montgomery County Educational Service Center  
Montgomery County  
200 South Keowee Street  
Dayton, Ohio 45402

To the Board of Education:

### Report on Compliance for the Major Federal Program

#### *Opinion on the Major Federal Program*

We have audited Montgomery County Educational Service Center's, Montgomery County, Ohio (Center) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Montgomery County Educational Service Center's major federal program for the fiscal year ended June 30, 2022. Montgomery County Educational Service Center's major federal program are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Montgomery County Educational Service Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2022.

#### *Basis for Opinion on the Major Federal Program*

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

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

#### *Responsibilities of Management for Compliance*

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

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

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

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

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

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

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 6, 2023

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**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2022**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | COVID-19 Education Stabilization Fund: Governor's Emergency Education Relief Fund (AL #84.425C), Elementary and Secondary School Emergency Relief Fund (AL #84.425D) and American Rescue Plan Elementary and Secondary School Emergency Relief Fund (AL #84.425U) |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | Yes   |

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

# OHIO AUDITOR OF STATE KEITH FABER



**MONTGOMERY COUNTY EDUCATIONAL SERVICE CENTER**

**MONTGOMERY 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 3/30/2023**

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

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