

**AUGLAIZE COUNTY  
EDUCATIONAL SERVICE CENTER**

**AUGLAIZE COUNTY, OHIO**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024**





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Columbus, Ohio 43215  
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800-282-0370

Members of the Board of Education  
Auglaize County Educational Service Center  
1045 Dearbaugh Avenue #2  
Wapakoneta, OH 45895

We have reviewed the *Independent Auditor's Report* of the Auglaize County Educational Service Center, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2023 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

December 17, 2024

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**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**TABLE OF CONTENTS**

|   |         |
|---|---------|
| Independent Auditor's Report.....   | 1 - 3   |
| Basic Financial Statements:   |         |
| Government-Wide Financial Statements:   |         |
| Statement of Net Position - Cash Basis.....   | 4       |
| Statement of Activities - Cash Basis .....  | 5       |
| Fund Financial Statements:  |         |
| Statement of Assets and Fund Balances - Cash Basis  |         |
| Governmental Funds .....  | 6       |
| Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  |         |
| Governmental Funds .....  | 7       |
| Notes to the Basic Financial Statements .....   | 8 - 33  |
| Supplementary Information:  |         |
| Schedule of Expenditures of Federal Awards .....  | 34      |
| Notes to the Schedule of Expenditures of Federal Awards 2 <i>CFR</i> § 200.510(b)(6).....   | 35      |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed in Accordance With<br><i>Government Auditing Standards</i> ..... | 36 - 37 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal<br>Control Over Compliance Required by the Uniform Guidance.....  | 38 - 40 |
| Schedule of Findings 2 <i>CFR</i> § 200.515 .....   | 41 - 42 |
| Summary Schedule of Prior Audit Findings 2 <i>CFR</i> § 200.511(b) .....  | 43      |
| Corrective Action Plan 2 <i>CFR</i> § 200.511(c) .....  | 44      |

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## **Independent Auditor's Report**

Auglaize County Educational Service Center  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

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

#### ***Opinions***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Auglaize County Educational Service Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, as of June 30, 2024, and the respective changes in cash basis financial position, thereof for the fiscal year then ended in accordance with cash basis of accounting described in Note 2.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Auglaize County Educational Service Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

Ohio Administrative Code § 117-2-03(B) requires the Auglaize County Educational Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Auglaize County Educational Service Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Auglaize County Educational Service Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auglaize County Educational Service Center's ability to continue as a going concern for a reasonable period of time.

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



***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Auglaize County Educational Service Center's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of 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 November 26, 2024 on our consideration of the Auglaize County Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Auglaize County Educational Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Auglaize County Educational Service Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 26, 2024

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2024**

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                             |                                    |
| Equity in pooled cash and cash equivalents | <u>\$ 2,258,684</u>                |
| <b>Net position:</b>                       |                                    |
| State funded programs                      | \$ 3,808                           |
| Federally funded programs                  | 60,710                             |
| Extracurricular programs                   | 81,838                             |
| Other purposes                             | 20,269                             |
| Unrestricted                               | <u>2,092,059</u>                   |
| Total net position                         | <u><u>\$ 2,258,684</u></u>         |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

|   |                      | <b>Program Receipts</b>                   |   | <b>Net (Disbursements)<br/>Receipts and Change<br/>in Net Position</b> |
|---|----------------------|---|---|--|
|   | <b>Disbursements</b> | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and Contributions</b> | <b>Governmental<br/>Activities</b>                                     |
| <b>Governmental activities:</b>                             |                      |   |   |  |
| Instruction:  |                      |   |   |  |
| Regular   | \$ 2,466,883         | \$ 2,279,133                              | \$ -  | \$ (187,750)   |
| Special   | 4,506,911            | 3,766,511                                 | 467,093                                       | (273,307)  |
| Support services:   |                      |   |   |  |
| Pupil   | 1,082,566            | 1,000,099                                 | -   | (82,467)   |
| Instructional staff   | 417,339              | 260,621                                   | 125,686                                       | (31,032)   |
| Board of education  | 31,110               | 28,740                                    | -   | (2,370)  |
| Administration  | 2,638,424            | 661,141                                   | 2,028,818                                     | 51,535   |
| Fiscal  | 233,505              | 215,718                                   | -   | (17,787)   |
| Operations and maintenance                                  | 310,115              | 246,133                                   | 67,647  | 3,665  |
| Pupil transportation  | 77,933               | 71,996                                    | -   | (5,937)  |
| Central   | 31,305               | 28,878                                    | 46  | (2,381)  |
| Facilities acquisition and construction                     | 38,370               | -   | -   | (38,370)   |
| Total governmental activities                               | <u>\$ 11,834,461</u> | <u>\$ 8,558,970</u>                       | <u>\$ 2,689,290</u>                           | <u>(586,201)</u>   |
| <b>General receipts:</b>                                    |                      |   |   |  |
| Grants and entitlements not restricted to specific programs |                      |   |   | 337,374  |
| Investment earnings   |                      |   |   | 19,718   |
| Miscellaneous   |                      |   |   | <u>193,523</u>   |
| Total general receipts                                      |                      |   |   | <u>550,615</u>   |
| Change in net position                                      |                      |   |   | (35,586)   |
| <b>Net position at beginning of year</b>                    |                      |   |   | <u>2,294,270</u>   |
| <b>Net position at end of year</b>                          |                      |   |   | <u>\$ 2,258,684</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

|   | <u>General</u>      | <u>Autism</u>     | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|-------------------|--|---|
| <b>Assets:</b>                                |                     |                   |  |   |
| Equity in pooled cash<br>and cash equivalents | <u>\$ 2,141,563</u> | <u>\$ (5,424)</u> | <u>\$ 122,545</u>                          | <u>\$ 2,258,684</u>                     |
| <b>Fund balances:</b>                         |                     |                   |  |   |
| Nonspendable:                                 |                     |                   |  |   |
| Unclaimed monies                              | \$ 11,611           | \$ -              | \$ -                                       | \$ 11,611                               |
| Restricted:                                   |                     |                   |  |   |
| State funded programs                         | -                   | -                 | 3,808                                      | 3,808                                   |
| Federally funded programs                     | -                   | -                 | 60,710                                     | 60,710                                  |
| Extracurricular programs                      | -                   | -                 | 81,838                                     | 81,838                                  |
| Other purposes                                | -                   | -                 | 8,658                                      | 8,658                                   |
| Assigned:                                     |                     |                   |  |   |
| Special instruction                           | 425,523             | -                 | -  | 425,523                                 |
| Extracurricular activities                    | 11,295              | -                 | -  | 11,295                                  |
| Background checks                             | 58,401              | -                 | -  | 58,401                                  |
| Professional development                      | 20,033              | -                 | -  | 20,033                                  |
| Unpaid obligations                            | 136,590             | -                 | -  | 136,590                                 |
| Transition                                    | 8,110               | -                 | -  | 8,110                                   |
| Unassigned (deficit)                          | <u>1,470,000</u>    | <u>(5,424)</u>    | <u>(32,469)</u>                            | <u>1,432,107</u>                        |
| Total fund balances                           | <u>\$ 2,141,563</u> | <u>\$ (5,424)</u> | <u>\$ 122,545</u>                          | <u>\$ 2,258,684</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

|   | <b>General</b>             | <b>Autism</b>            | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------------------|--------------------------|--|---|
| <b>Receipts:</b>                                    |                            |                          |  |   |
| Intergovernmental                                   | \$ 337,374                 | \$ 1,604,044             | \$ 1,085,246                               | \$ 3,026,664                            |
| Investment earnings                                 | 19,718                     | -                        | -  | 19,718                                  |
| Tuition and fees                                    | 8,003,732                  | -                        | -  | 8,003,732                               |
| Extracurricular                                     | 6,587                      | -                        | -  | 6,587                                   |
| Rental income                                       | 55,059                     | -                        | -  | 55,059                                  |
| Charges for services                                | 462,620                    | -                        | 30,600                                     | 493,220                                 |
| Contributions and donations                         | 91,459                     | -                        | -  | 91,459                                  |
| Miscellaneous                                       | 102,436                    | -                        | -  | 102,436                                 |
| Total receipts                                      | <u>9,078,985</u>           | <u>1,604,044</u>         | <u>1,115,846</u>                           | <u>11,798,875</u>                       |
| <b>Disbursements:</b>                               |                            |                          |  |   |
| Current:  |                            |                          |  |   |
| Instruction:  |                            |                          |  |   |
| Regular   | 2,466,883                  | -                        | -  | 2,466,883                               |
| Special   | 4,074,014                  | -                        | 432,897                                    | 4,506,911                               |
| Support services:                                   |                            |                          |  |   |
| Pupil   | 1,082,566                  | -                        | -  | 1,082,566                               |
| Instructional staff                                 | 264,275                    | 421                      | 152,643                                    | 417,339                                 |
| Board of education                                  | 31,110                     | -                        | -  | 31,110                                  |
| Administration                                      | 700,372                    | 1,467,653                | 470,399                                    | 2,638,424                               |
| Fiscal  | 233,505                    | -                        | -  | 233,505                                 |
| Operations and maintenance                          | 206,830                    | 53,314                   | 49,971                                     | 310,115                                 |
| Pupil transportation                                | 77,933                     | -                        | -  | 77,933                                  |
| Central   | 31,259                     | -                        | 46   | 31,305                                  |
| Facilities acquisition and construction             | -                          | -                        | 38,370                                     | 38,370                                  |
| Total disbursements                                 | <u>9,168,747</u>           | <u>1,521,388</u>         | <u>1,144,326</u>                           | <u>11,834,461</u>                       |
| Net change in fund balances                         | (89,762)                   | 82,656                   | (28,480)                                   | (35,586)                                |
| <b>Fund balances (deficit) at beginning of year</b> | <u>2,231,325</u>           | <u>(88,080)</u>          | <u>151,025</u>                             | <u>2,294,270</u>                        |
| <b>Fund balances (deficit) at end of year</b>       | <u><u>\$ 2,141,563</u></u> | <u><u>\$ (5,424)</u></u> | <u><u>\$ 122,545</u></u>                   | <u><u>\$ 2,258,684</u></u>              |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Auglaize County Educational Service Center (the “Educational Service Center”) is located in Wapakoneta, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Minster, New Bremen, New Knoxville, and Waynesfield-Goshen Local School Districts, the St. Marys and Wapakoneta City School Districts, and the Auglaize County Educational Academy (community school). The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four-year terms. The Educational Service Center has 22 administrators, 122 classified employees, and 38 certified employees who provide services to the local school districts and the community school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Educational Service Center’s accounting policies.

**A. Reporting Entity**

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

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

The Educational Service Center is associated with two jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Schools of Ohio Risk Sharing Authority, Southwestern Ohio Educational Purchasing Council (SOEPC) and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 10 and 11 to the basic financial statements.

**B. Basis of Presentation**

The Educational Service Center’s basic financial statements consist of government-wide financial 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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the Educational Service Center at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the Educational Service Center's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Educational Service Center is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Educational Service Center's general receipts.

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

**C. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

The Educational Service Center classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The Educational Service Center's major funds are the general fund and the autism fund.

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

*Autism Fund* - The autism fund is used to account for IDEA B federal grants restricted to providing support services to teachers.

Other governmental funds of the Educational Service Center are used to account for:

*Nonmajor special revenue funds* - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**D. Basis of Accounting**

The Educational Service Center's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Educational Service Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**E. Cash and Investments**

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

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the general fund during fiscal year 2024 was \$19,718, which includes \$875 assigned from other funds.

**F. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Educational Service Center.

**H. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received, and principal and interest payments are reported when disbursements are made. Since recording a capital asset (including the intangible right to use) when entering into a lease, financed purchase transaction, or Subscription Based Information Technology Arrangement (SBITA) is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments, financed purchase payments, and SBITA payments are reported when paid.

**I. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for a special trust, local grants, and unclaimed funds. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**J. Fund Balance**

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

The Educational Service Center first applies restricted resources when an expenditure is 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 can be used.

**K. Flow-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as receipts and intergovernmental disbursements in a special revenue fund. For fiscal year 2024, this consisted of the Special Education Preschool Grant special revenue fund.

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

For purposes of measuring the net pension/OPEB liability and net OPEB asset, 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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**M. Budgetary Process**

In fiscal year 2004, the Educational Service Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service Center is discretionary, the Educational Service Center's Board does approve appropriations and estimated resources for all funds for control purposes. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. Throughout the fiscal year, appropriations may be authorized or supplemented as circumstances warrant. The Educational Service Center has elected to not present budgetary schedules as supplementary information for the general fund and the major special revenue fund.

**N. Leases**

The Educational Service Center is the lessor and lessee in various leases related to buildings and equipment under noncancelable leases. Lease receivables and payables are not reflected under the Educational Service Center's cash basis of accounting. Lease receipts and disbursements are recognized when they are received and paid.

**O. Subscription Based Information Technology Arrangements (SBITAs)**

The Educational Service Center has Subscription Based Information Technology Arrangements (SBITAs) under noncancelable arrangements. SBITA payables are not reflected under the Educational Service Center's cash basis of accounting. SBITA disbursements are recognized when they are paid.

**P. Employer Contributions to Cost-Sharing Pension Plans**

The Educational Service Center recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postemployment health care benefits.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2024, the Educational Service Center has implemented certain paragraphs of GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*", GASB Statement No. 100, "*Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*" and Implementation Guide No. 2023-1.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the Educational Service Center.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the Educational Service Center.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the Educational Service Center.

**B. Compliance**

Ohio Administrative Code Section 117-2-03(B) requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Educational Service Center prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The Educational Service Center can be fined and various other administrative remedies may be taken against the Educational Service Center.

**C. Deficit Fund Balances**

Fund balances at June 30, 2024 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Elementary and Secondary           |                |
| School Emergency Relief            | \$ 30,296      |
| IDEA Preschool grant               | 2,173          |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 Educational Service Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association.. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (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 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 Educational Service Center and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

**A. Cash on Hand**

As of June 30, 2024, the Educational Service Center has \$200 deposited in cash on hand. The amount is included in equity in pooled cash and cash equivalents.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits**

At June 30, 2024, the carrying amount of all the Educational Service Center deposits was \$2,258,484. Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,234,772 of the Educational Service Center's bank balance of \$2,484,772 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Educational Service Center has no deposit policy for custodial credit risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Educational Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

For fiscal year 2024, the Educational Service Center's financial institutions were approved for a collateral rate of 102% through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2024, the Educational Service Center had no investments.

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2024:

Cash and investments per note

|                             |                     |
|-----------------------------|---------------------|
| Carrying amount of deposits | \$ 2,258,484        |
| Cash on hand                | <u>200</u>          |
| Total                       | <u>\$ 2,258,684</u> |

Cash and investments per statement of net position

|                         |                     |
|-------------------------|---------------------|
| Governmental activities | <u>\$ 2,258,684</u> |
|-------------------------|---------------------|

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 5 - STATE FUNDING**

The Educational Service 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 Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law.

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

The Educational Service Center also receives funding from the State Department of Education. Funding is based on a formula provided by the State incorporating the total number of students the Educational Service Center supports.

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

**NOTE 6 - RISK MANAGEMENT**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, the Educational Service Center contracted for the following insurance coverage.

Coverage provided by the Schools of Ohio Risk Sharing Authority is as follows:

|                       |               |
|-----------------------|---------------|
| General Liability     |               |
| Occurrence            | \$ 15,000,000 |
| Aggregate             | 17,000,000    |
| Automobile Liability  | 15,000,000    |
| Building and Contents | 350,000,000   |

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

For fiscal year 2024, the Educational Service Center participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a public entity shared risk pool. The Educational Service Center pays monthly premiums to the SOEPC for employee medical and dental insurance coverage. The SOEPC is responsible for the management and operations of the program. Upon withdrawal from the SOEPC, a participant is responsible for the payment of all SOEPC liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                              | Eligible to<br>Retire 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; or<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; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2023, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2024.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the Educational Service 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, 2024, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was \$394,316 for fiscal year 2024.

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

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

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



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

The Educational Service Center's contractually required contribution to STRS was \$610,468 for fiscal year 2024.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Net Pension Liability***

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

Following is information related to the proportionate share:

|  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.058975900%        | 0.024604590%        |              |
| Proportion of the net pension liability current measurement date | <u>0.064176300%</u> | <u>0.026204840%</u> |              |
| Change in proportionate share                                    | <u>0.005200400%</u> | <u>0.001600250%</u> |              |
| Proportionate share of the net pension liability                 | \$ 3,546,070        | \$ 5,643,196        | \$ 9,189,266 |

***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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023 and June 30, 2022, are presented below:

|   |   |
|---|---|
| Wage inflation:                               |   |
| Current measurement date                      | 2.40%                                       |
| Prior measurement date                        | 2.40%                                       |
| Future salary increases, including inflation: |   |
| Current measurement date                      | 3.25% to 13.58%                             |
| Prior measurement date                        | 3.25% to 13.58%                             |
| COLA or ad hoc COLA:                          |   |
| Current measurement date                      | 2.00%                                       |
| Prior measurement date                        | 2.00%                                       |
| Investment rate of return:                    |   |
| Current measurement date                      | 7.00% net of system expenses                |
| Prior measurement date                        | 7.00% net of system expenses                |
| Discount rate:                                |   |
| Current measurement date                      | 7.00%                                       |
| Prior measurement date                        | 7.00%                                       |
| Actuarial cost method                         | Entry age normal (level percent of payroll) |

In 2023, mortality rates 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 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% 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 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the SERS Statement of Investment Policy. Ohio Revised Code (ORC) 3309.15 and the Board-adopted Investment Policy govern investment activity at SERS. 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**Discount Rate** - Total pension liability was calculated using the discount rate of 7.00%. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14%. 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. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90%.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, 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  | Current<br>Discount Rate | 1% Increase  |
|---|--------------|--------------------------|--------------|
| Educational Service Center's proportionate share of the net pension liability | \$ 5,233,820 | \$ 3,546,070             | \$ 2,124,464 |

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 and June 30, 2022, actuarial valuation are presented below:

|                                   | June 30, 2023  | June 30, 2022  |
|-----------------------------------|--|--|
| Inflation                         | 2.50%  | 2.50%  |
| Projected salary increases        | Varies by service from 2.50% to 8.50%                  | Varies by service from 2.50% to 8.50%                  |
| Investment rate of return         | 7.00%, net of investment expenses, including inflation | 7.00%, net of investment expenses, including inflation |
| Discount rate of return           | 7.00%  | 7.00%  |
| Payroll increases                 | 3.00%  | 3.00%  |
| Cost-of-living adjustments (COLA) | 0.00%  | 0.00%  |

For the June 30, 2023 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

**Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table represents the net pension liability as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what 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 assumption:

|   | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|---|--------------|--------------------------|--------------|
| Educational Service Center's proportionate share of the net pension liability | \$ 8,677,986 | \$ 5,643,196             | \$ 3,076,594 |

**Assumption and Benefit Changes Since the Prior Measurement Date** - The discount rate remained at 7.00% for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

**NOTE 8 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

See Note 7 for a description of the net OPEB liability (asset).

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

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2024, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the Educational Service Center's surcharge obligation was \$48,810.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was \$48,810 for fiscal year 2024.

***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 Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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

***Net OPEB Liability/Asset***

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share:

|   | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.060484700%        | 0.024604590%        |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.066125000%</u> | <u>0.026204840%</u> |              |
| Change in proportionate share                                       | <u>0.005640300%</u> | <u>0.001600250%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 1,089,374        | \$ -                | \$ 1,089,374 |
| Proportionate share of the net OPEB asset                           | \$ -                | \$ (509,648)        | \$ (509,648) |

***Actuarial Assumptions - SERS***

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

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

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



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023 and June 30, 2022 are presented below:

Wage inflation:

|                          |       |
|--------------------------|-------|
| Current measurement date | 2.40% |
|--------------------------|-------|

|                        |       |
|------------------------|-------|
| Prior measurement date | 2.40% |
|------------------------|-------|

Future salary increases, including inflation:

|                          |                 |
|--------------------------|-----------------|
| Current measurement date | 3.25% to 13.58% |
|--------------------------|-----------------|

|                        |                 |
|------------------------|-----------------|
| Prior measurement date | 3.25% to 13.58% |
|------------------------|-----------------|

Investment rate of return:

|                          |   |
|--------------------------|---|
| Current measurement date | 7.00% net of investment<br>expense, including inflation |
|--------------------------|---|

|                        |   |
|------------------------|---|
| Prior measurement date | 7.00% net of investment<br>expense, including inflation |
|------------------------|---|

Municipal bond index rate:

|                          |       |
|--------------------------|-------|
| Current measurement date | 3.86% |
|--------------------------|-------|

|                        |       |
|------------------------|-------|
| Prior measurement date | 3.69% |
|------------------------|-------|

Single equivalent interest rate, net of plan investment expense,  
including price inflation:

|                          |       |
|--------------------------|-------|
| Current measurement date | 4.27% |
|--------------------------|-------|

|                        |       |
|------------------------|-------|
| Prior measurement date | 4.08% |
|------------------------|-------|

Medical trend assumption:

|                          |               |
|--------------------------|---------------|
| Current measurement date | 6.75 to 4.40% |
|--------------------------|---------------|

|                        |               |
|------------------------|---------------|
| Prior measurement date | 7.00 to 4.40% |
|------------------------|---------------|

In 2023, the following mortality assumptions were used:

**Healthy Retirees** - 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.

**Disabled Retirees** - 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.

**Contingent Survivors** - 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.

**Actives** - PUB-2010 General Amount Weighted Below Median Employee mortality table.

**Mortality Projection** - Mortality rates are projected using a fully generational projection with Scale MP-2020.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

In the prior measurement date, mortality rates 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 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27%. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08%. 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 is projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022 and the June 30, 2023 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86% at June 30, 2023 and 3.69% at June 30, 2022.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

|  | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| Educational Service Center's proportionate share of the net OPEB liability | \$ 1,392,530       | \$ 1,089,374                     | \$ 850,321         |
|  | <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u>    | <u>1% Increase</u> |
| Educational Service Center's proportionate share of the net OPEB liability | \$ 800,325         | \$ 1,089,374                     | \$ 1,472,401       |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 actuarial valuation, compared with June 30, 2022 actuarial valuation, are presented below:

|                                   | <u>June 30, 2023</u>                                   | <u>June 30, 2022</u>                                   |
|-----------------------------------|--|--|
| Inflation                         | 2.50%  | 2.50%  |
| Projected salary increases        | Varies by service from 2.50% to 8.50%                  | Varies by service from 2.50% to 8.50%                  |
| Investment rate of return         | 7.00%, net of investment expenses, including inflation | 7.00%, net of investment expenses, including inflation |
| Payroll increases                 | 3.00%  | 3.00%  |
| Cost-of-living adjustments (COLA) | 0.00%  | 0.00%  |
| Discount rate of return           | 7.00%  | 7.00%  |
| Blended discount rate of return   | N/A  | N/A  |
| Health care cost trends           |  |  |
|                                   | Initial  | Ultimate   |
| Medical                           |  |  |
| Pre-Medicare                      | 7.50%  | 4.14%  |
| Medicare                          | -10.94%  | 4.14%  |
| Prescription Drug                 |  |  |
| Pre-Medicare                      | -11.95%  | 4.14%  |
| Medicare                          | 1.33%  | 4.14%  |
|                                   | Initial  | Ultimate   |
| Medical                           |  |  |
| Pre-Medicare                      | 7.50%  | 3.94%  |
| Medicare                          | -68.78%  | 3.94%  |
| Prescription Drug                 |  |  |
| Pre-Medicare                      | 9.00%  | 3.94%  |
| Medicare                          | -5.47%   | 3.94%  |

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

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For the June 30, 2023 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Assumption Changes Since the Prior Measurement Date** - The discount rate remained unchanged at 7.00% for the June 30, 2023 valuation.

**Benefit Term Changes Since the Prior Measurement Date** - Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

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<br>Allocation* | Long-Term Expected<br>Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity      | 26.00 %               | 6.60 %                                       |
| International Equity | 22.00                 | 6.80   |
| Alternatives         | 19.00                 | 7.38   |
| Fixed Income         | 22.00                 | 1.75   |
| Real Estate          | 10.00                 | 5.75   |
| Liquidity Reserves   | 1.00                  | 1.00   |
| Total                | <u>100.00 %</u>       |  |

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

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% 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, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** - The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, 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.

|  | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| Educational Service Center's proportionate share of the net OPEB asset | \$ 431,350         | \$ 509,648                       | \$ 577,837         |

  

|  | <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|--|--------------------|-------------------------------|--------------------|
| Educational Service Center's proportionate share of the net OPEB asset | \$ 581,001         | \$ 509,648                    | \$ 423,704         |

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from State laws. Eleven and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to eleven and twelve-month employees upon termination of employment. Teachers do not earn vacation 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 two hundred days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of forty-five days for all employees with ten or more years of service.

**B. Health Care Benefits**

The Educational Service Center offers medical and dental insurance to most employees through the Southwestern Ohio Educational Purchasing Council (SOEPC). Vision insurance is offered through Vision Service Plan. In addition, the Educational Service Center offers life insurance through American United Life Insurance Company.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization (WOCO)**

The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of educational entities within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter educational entities within each county plus a representative from the fiscal agent educational entity. During fiscal year 2024, the Educational Service Center paid \$24,740 to WOCO for various services. Financial information can be obtained from WOCO at 129 East Court Street, Sidney, Ohio 45365.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

**B. Auglaize County Educational Academy**

The Educational Service Center is the Fiscal Agent Operator of the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for sixth through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of a five member board. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Wapakoneta, Ohio 45895.

**NOTE 11 - INSURANCE POOLS**

**A. Schools of Ohio Risk Sharing Authority (SORSA)**

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from SORSA, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

**B. Southwestern Ohio Educational Purchasing Council (SOEPC)**

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SOEPC is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SOEPC's business and affairs are conducted by a board consisting of seven school administrators, who are elected by the membership each year. During fiscal year 2024, the Educational Service Center paid \$1,039,345 to SOEPC.

In addition, the cooperative hires attorneys, auditors, and actuaries to assist in running the day to day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Financial information can be obtained from Mr. Ken Swink, Southwestern Ohio Educational Purchasing Council Director.

**C. Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan**

The Educational Service Center participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program. Financial information can be obtained from 8050 N. High Street, Suite 100 Columbus, OH 43235.

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 12 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2024.

**B. Litigation**

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

**NOTE 13 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2024, the Educational Service Center received COVID-19 funding. The Educational Service Center will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

## **SUPPLEMENTARY INFORMATION**



AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| FEDERAL GRANTOR/<br>PASS THROUGH GRANTOR/<br>PROGRAM/CLUSTER TITLE   | ASSISTANCE<br>LISTING<br>NUMBER | PASS-THROUGH ENTITY<br>IDENTIFYING GRANT NUMBER/<br>ADDITIONAL AWARD<br>IDENTIFICATION | TOTAL<br>FEDERAL<br>EXPENDITURES |
|--|---------------------------------|--|----------------------------------|
| <b>U.S. DEPARTMENT OF TREASURY</b>   |                                 |  |                                  |
| <i>Passed Through Ohio Office of Budget and Management</i>   |                                 |  |                                  |
| <u>Auglaize County Educational Service Center</u><br>COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - School Safety Round #4   | 21.027                          | COVID-19   | \$ 49,971                        |
| <b>Total U.S. Department of Treasury</b>   |                                 |  | 49,971                           |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                 |  |                                  |
| <i>Passed through the Ohio Department of Education and Workforce</i>   |                                 |  |                                  |
| <u>Auglaize County Educational Service Center</u><br>Title I Grants to Local Educational Agencies - Priority School Support  | 84.010A                         | 84.010A, 2024  | 28,391                           |
| <b>Special Education Cluster (IDEA):</b>   |                                 |  |                                  |
| <u>Region 6 State Support Team</u>   |                                 |  |                                  |
| Special Education Grants to States (IDEA, Part B)  | 84.027A                         | 84.027A, 2023  | 111,455                          |
| Special Education Grants to States (IDEA, Part B)  | 84.027A                         | 84.027A, 2024  | 1,199,918                        |
| Special Education Grants to States (IDEA, Part B) - Early Literacy SSIP  | 84.027A                         | 84.027A, 2024  | 90,052                           |
| Special Education Grants to States (IDEA, Part B) - Urban Regional Literacy  | 84.027A                         | 84.027A, 2024  | 119,963                          |
| <b>Total Special Education Grants to States (IDEA, PART B)</b>   |                                 |  | 1,521,388                        |
| <u>Auglaize County Educational Service Center</u><br><i>Consortium Amount Transferred from Consortium Members</i>  |                                 |  |                                  |
| Special Education Preschool Grants (IDEA Preschool)  | 84.173A                         | 84.173A, 2024  | 29,719                           |
| <u>Region 6 State Support Team</u>   |                                 |  |                                  |
| Special Education Preschool Grants (IDEA Preschool)  | 84.173A                         | 84.173A, 2024  | 87,149                           |
| Special Education Preschool Grants (IDEA Preschool) - Early Literacy SSIP  | 84.173A                         | 84.173A, 2024  | 26,079                           |
| <b>Total Special Education Preschool Grants (IDEA PRESCHOOL)</b>   |                                 |  | 142,947                          |
| <b>Total Special Education Cluster (IDEA)</b>  |                                 |  | 1,664,335                        |
| <u>Auglaize County Educational Service Center</u><br>Special Education - State Personnel Development   | 84.323A                         | 84.323A, 2024  | 14,831                           |
| <u>Auglaize County Educational Service Center</u><br>COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) - Extended Learning and Recovery | 84.425U                         | COVID-19, 84.425U, 2023  | 141,750                          |
| COVID-19 - Governor's Emergency Education Relief (GEER II) Fund II   | 84.425C                         | COVID-19, 84.425C, 2023  | 38,370                           |
| COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) - Family and Community Partner Liasons  | 84.425U                         | COVID-19, 84.425U, 2024  | 81,059                           |
| COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) - Extended Learning and Recovery  | 84.425U                         | COVID-19, 84.425U, 2024  | 449,291                          |
| <b>Total Education Stabilization Fund</b>  |                                 |  | 710,470                          |
| <b>Total U.S. Department of Education</b>  |                                 |  | 2,418,027                        |
| <b>Total Federal Financial Assistance</b>  |                                 |  | \$ 2,467,998                     |

*The accompanying notes are an integral part of this schedule.*

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Auglaize County Educational Service Center under programs of the federal government for the fiscal year ended June 30, 2024 and is prepared in accordance with the cash basis of accounting. 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 Auglaize County Educational Service Center, it is not intended to and does not present the financial position or changes in net position of the Auglaize County Educational Service Center. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

**NOTE 2 – DE MINIMIS COST RATE**

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Auglaize County Educational Service Center has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – STATE SUPPORT TEAM 6 (SST6)**

The State Support Team Region 6 (SST6) is an organization comprised of the Educational Service Centers in Allen, Auglaize, Champaign, Hardin, Logan, Mercer, and Shelby Counties. The purpose of this organization is to assist schools to develop quality special education programs and services. The SST6 is funded through the Ohio Department of Education and Workforce in the form of Special Education Grants to States and Special Education Preschool Grants federal grants. The Educational Service Center serves as fiscal agent for the State Support Team Region 6 and reports the activity within special revenue funds in the financial statements. The federal grants are audited as part of the Educational Service Center and are separately identified on the Schedule.

**NOTE 4 - FEDERAL AWARDS ADMINISTERED FOR OTHER GOVERNMENTS**

The Auglaize County Educational Service Center applies for and administers grants on behalf of member school districts. The Auglaize County Educational Service Center reports these grants on their Schedule, and they are subject to audit during the Auglaize County Educational Service Center's annual audit according to Uniform Guidance. Awards which were reported by the Auglaize County Educational Service Center that benefited member districts are as follows:

| <b>Member District</b>              | <b>Award Amount</b>   |               |
|-------------------------------------|---|---------------|
|                                     | <b>Special Education-Preschool<br/>Grants (IDEA, Preschool)</b> |               |
|                                     | <b>ALN - 84.173A</b>  |               |
| Minster Local School District       | \$  | 8,215         |
| New Bremen Local School District    |   | 5,081         |
| New Knoxville Local School District |   | 2,002         |
| St. Marys City School District      |   | 14,421        |
| <b>Total</b>                        | <b>\$</b>   | <b>29,719</b> |

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

Auglaize County Educational Service Center  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Educational Service Center, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Auglaize County Educational Service Center's basic financial statements and have issued our report thereon dated November 26, 2024, wherein we noted the Auglaize County Educational Service Center uses a special purpose framework other than generally accepted accounting principles.

**Report on Internal Control over Financial Reporting**

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

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

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

Auglaize County Educational Service Center

Auglaize County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

As part of obtaining reasonable assurance about whether the Auglaize County Educational Service Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2024-001.

### **Auglaize County Educational Service Center's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Auglaize County Educational Service Center's response to the finding identified in our audit and described in the accompanying corrective action plan. The Auglaize County Educational Service Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Julian & Grube, Inc.

November 26, 2024

**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Auglaize County Educational Service Center  
Auglaize County  
1045 Dearbaugh Avenue, Suite 2  
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

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

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

We have audited the Auglaize County Educational Service Center's 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 each of the Auglaize County Educational Service Center's major federal programs for the fiscal year ended June 30, 2024. The Auglaize County Educational Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

In our opinion, the Auglaize 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 each of its major federal programs for the fiscal year ended June 30, 2024.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auglaize County Educational Service Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Auglaize County Educational Service Center's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Auglaize County Educational Service Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *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 Auglaize County Educational Service Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Auglaize County Educational Service Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Auglaize County Educational Service Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Auglaize County Educational Service Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control over Compliance**

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

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

Auglaize County Educational Service Center  
Auglaize County  
Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance Required by the Uniform Guidance

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 26, 2024

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |   |  |
|--|---|--|
| <i>(d)(1)(i)</i>                       | <i>Type of Financial Statement Opinion</i>  | Unmodified                               |
| <i>(d)(1)(ii)</i>                      | <i>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</i>      | No                                       |
| <i>(d)(1)(ii)</i>                      | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | None reported                            |
| <i>(d)(1)(iii)</i>                     | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>                        | Yes                                      |
| <i>(d)(1)(iv)</i>                      | <i>Were there any material weaknesses in internal control reported for major federal programs?</i>                    | No                                       |
| <i>(d)(1)(iv)</i>                      | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i>               | None reported                            |
| <i>(d)(1)(v)</i>                       | <i>Type of Major Programs' Compliance Opinion</i>   | Unmodified                               |
| <i>(d)(1)(vi)</i>                      | <i>Are there any reportable findings under 2 CFR §200.516(a)?</i>   | No                                       |
| <i>(d)(1)(vii)</i>                     | <i>Major Program(s) (listed):</i>   | Special Education Cluster (IDEA)         |
| <i>(d)(1)(viii)</i>                    | <i>Dollar Threshold: Type A/B Programs</i>  | Type A: >\$750,000<br>Type B: all others |
| <i>(d)(1)(ix)</i>                      | <i>Low Risk Auditee under 2 CFR § 200.520?</i>  | No                                       |



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

| <b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|---|----------|
| Finding Number  | 2024-001 |

Noncompliance - Annual Financial Report

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Educational Service Center to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Educational Service Center prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Failure to prepare proper GAAP financial statements may result in the Educational Service Center being fined or other administrative remedies.

The Educational Service Center should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None

**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER  
AUGLAIZE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
JUNE 30, 2024**

| <b>Finding Number</b> | <b>Year Initially Occurred</b> | <b>Finding Summary</b>   | <b>Status</b> | <b>Additional Information</b>   |
|-----------------------|--------------------------------|--|---------------|---|
| 2023-001              | 2004                           | <u>Noncompliance - Annual Financial Report</u> - Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Educational Service Center to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). The Educational Service Center prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. | Not Corrected | Finding repeated as 2024-001 as the Educational Service Center did not prepare its annual financial report in accordance with GAAP. |



# Auglaize County Educational Service Center

*Shawn Brown, Superintendent*

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1045 Dearbaugh, Suite 2  
Wapakoneta, OH 45895

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2024**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>   | <b>Anticipation Completion Date</b> | <b>Responsible Contact Person</b> |
|-----------------------|--|-------------------------------------|-----------------------------------|
| 2024-001              | Due to the cost of preparing financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a cash basis is a better way to allocate those funds. | N/A                                 | Kristy Weaks, Treasurer           |

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# OHIO AUDITOR OF STATE KEITH FABER



**AUGLAIZE COUNTY EDUCATIONAL SERVICE CENTER**

**AUGLAIZE 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 12/31/2024**

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

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