



**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2021

**OHIO AUDITOR OF STATE
KEITH FABER**



**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY
JUNE 30, 2021**

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**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Pickaway County Educational Service Center
Pickaway County
2050 Stoneridge Drive
Circleville, Ohio 43113

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 19 to the financial statements, during 2021, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, "*Fiduciary Activities*" and related guidance from (GASB) Implementation Guide No. 2019-2, "*Fiduciary Activities*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual for the General Fund, Special Program Fund, and GEER Fund present additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2022, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

June 1, 2022

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Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

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

Financial Highlights

- The Center's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by \$5,102,912.
- The Center's net position of governmental activities decreased \$129,564.
- General revenues accounted for \$294,344 or 5 percent of total revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$5,969,765 or 95 percent of total revenues of \$6,264,109.
- The Center had \$6,393,673 in expenses related to governmental activities; \$5,969,765 of these expenses were offset by program specific revenues.

Using This Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the Center as a Whole

The analysis of the Center as a whole begins on page 5. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the Center has only one kind of activity.

- Governmental activities. Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, and pupil transportation.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's funds begins on page 8. Fund financial statements provide detailed information about the Center's major funds, not the Center as a whole. Some funds are required by State law. Other funds may be established by the Treasurer with approval from the Board to help control, manage, and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the general fund, the special program fund, and the GEER fund.

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

Reporting the Center's Fiduciary Responsibilities. The Center acts in trustee capacity as an agent for another governmental unit. These activities are reported in a custodial fund. All of the Center's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Center as a Whole

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

Table 1
 Net Position
 Governmental Position

	2021	2020
Assets:		
Current and Other Assets	\$2,236,651	\$1,861,641
Capital Assets, Net	417,253	445,719
Total Assets	2,653,904	2,307,360
Deferred Outflows of Resources	2,023,536	1,792,094
Liabilities:		
Current and Other Liabilities	584,613	526,010
Long-Term Liabilities	8,174,214	7,282,826
Total Liabilities	8,758,827	7,808,836
Deferred Inflows of Resources	1,021,525	1,263,966

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Table 1
 Net Position
 Governmental Position
 (Continued)

	2021	2020
Net Position:		
Investment in Capital Assets	\$417,253	\$445,719
Restricted	222,282	127,512
Unrestricted (Deficit)	(5,742,447)	(5,546,579)
Total Net Position	(\$5,102,912)	(\$4,973,348)

Current and other assets increased \$375,010 between years due primarily to an increase in cash and cash equivalents because of an increase in program services revenues, and due to an increase in intergovernmental receivables, due to COVID funding available but not yet drawn by year-end. Capital assets, net decreased \$28,466 due to current year depreciation expense. Deferred outflows of resources increased \$231,442 due to an increase in actuarially determined amounts related to the Center's proportionate share of the state-wide net pension/OPEB liability (asset). Current and other liabilities increased \$58,603 between years due to an increase in accounts payable. Long-term liabilities increased \$891,388 due to an increase in the Center's proportionate share of the state-wide net pension liability and compensated absences balances, which was partially offset by a decrease in the Center's proportionate share of the state-wide net OPEB liability. Deferred inflows of resources decreased \$242,441 due to a decrease in actuarially determined amounts related to the Center's proportionate share of the state-wide net pension/OPEB liability (asset).

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

Table 2
 Changes in Net Position
 Governmental Activities

	2021	2020
Revenues		
Program Revenues:		
Charges for Services and Sales	\$5,527,379	\$5,082,479
Operating Grants and Contributions	442,386	111,595
Total Program Revenues	5,969,765	5,194,074
General Revenues:		
Grants and Entitlements not Restricted	245,394	241,933
Investment Earnings	2,225	10,097
Miscellaneous	46,725	33,104
Total General Revenues	294,344	285,134
Total Revenues	6,264,109	5,479,208

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Table 2
 Changes in Net Position
 Governmental Activities
 (Continued)

	2021	2020
Program Expenses:		
Instruction		
Regular	\$513,935	\$477,499
Special	575,315	613,908
Adult/Continuing	33	3,360
Student Intervention Services	277	0
Other	31,501	30,747
Support Services		
Pupils	3,569,929	3,035,793
Instructional Staff	408,036	457,334
Board of Education	51,034	66,115
Administration	465,052	439,965
Fiscal	246,515	235,060
Business	24,452	15,016
Operation and Maintenance of Plant	215,983	154,714
Pupil Transportation	57,080	68,383
Central	234,531	194,823
Total Expenses	6,393,673	5,792,717
Change in Net Position	(129,564)	(313,509)
Net Position at Beginning of Year	(4,973,348)	(4,659,839)
Net Position at End of Year	(\$5,102,912)	(\$4,973,348)

Charges for services and sales increased by \$444,900 due primarily to increases in contract services paid by member school districts in addition to services provided to the Pickaway County Family and Children First Council. Operating grants and contributions increased \$330,791 between years due to funding received related to the COVID-19 pandemic. Unrestricted grants and entitlements remained relatively consistent between years. Miscellaneous revenue increased \$13,621 due primarily to an increase in workers compensation rebates received between years.

Most expenses increased between years due to an increase in expenses related to the state-wide net pension and OPEB liabilities. The current year pension/OPEB expense amounted to \$856,395 and the prior year expense amounted to \$768,521. This resulted in a net increase in expenses of \$87,874. Expenses also increased related to the additional contract services provided to member districts and the Pickaway County Family and Children First Council and for employment costs supported by COVID funding.

Governmental Activities

Charges for services and sales comprised 88 percent of revenue for governmental activities and operating grants and contributions comprised 7 percent, while general revenue grants and entitlements comprised 4 percent of revenue for governmental activities of the Center for fiscal year 2021.

As indicated by governmental program expenses, support services are emphasized. Support services for pupils comprised 56 percent of governmental program expenses with support services for instructional staff comprising 6 percent of governmental expenses. Regular and special instruction also accounted for 8 percent and 9 percent, respectively, of governmental expenses.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

The statement of activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues of the Center.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$1,121,061	\$71,663	\$1,125,514	\$107,816
Support Services	5,272,612	352,245	4,667,203	490,827
Total Expenses	<u>\$6,393,673</u>	<u>\$423,908</u>	<u>\$5,792,717</u>	<u>\$598,643</u>

The Center's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,162,121 and expenditures of \$5,995,470.

The general fund had \$5,023,171 in revenues and \$4,847,107 in expenditures, resulting in an increase in fund balance of \$176,064. This increase was primarily due to an increase in contract service revenues received from member districts. Expenditures remained relatively consistent between years. The special program fund had \$819,929 in revenues and \$785,896 in expenditures, resulting in an increase in fund balance of \$34,033. This increase was primarily due to an increase in program service revenue received for services provided to the Pickaway County Family and Children First Council, which outpaced corresponding increases in expenditures. The GEER fund had \$84,420 in revenues and \$85,919 in expenditures, resulting in a decrease in fund balance of \$1,499. This decrease was due to obligations due at year-end that were not liquidated, for which draws on grant funds had not yet been processed.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the Center had \$417,253 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2021 balances compared to 2020.

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

	2021	2020
Land	\$66,900	\$66,900
Building	319,541	343,569
Furniture and Equipment	30,812	35,250
Totals	<u>\$417,253</u>	<u>\$445,719</u>

Changes in capital assets from the prior year resulted from current year depreciation expense. See note 5 to the basic financial statements for more detailed information related to capital assets.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Debt

At June 30, 2021, the Center had no outstanding debt obligations. See note 4 to the basic financial statements for more detailed information related to other long-term obligations.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kristin O'Dell, Treasurer, Pickaway County Educational Service Center, 2050 Stoneridge Drive, Circleville, Ohio 43113.

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

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,729,648
Accounts Receivable	6,382
Intergovernmental Receivable	107,571
Noncurrent Assets:	
Non-Depreciable Capital Assets	66,900
Depreciable Capital Assets, Net	350,353
Net OPEB Asset	393,050
Total Assets	2,653,904
Deferred Outflows of Resources	
Pensions	1,777,905
OPEB	245,631
Total Deferred Outflows of Resources	2,023,536
Liabilities	
Current Liabilities:	
Accounts Payable	75,518
Accrued Wages and Benefits	423,228
Intergovernmental Payable	85,867
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	18,241
Due in More Than One Year	342,508
Net Pension Liability	7,242,771
Net OPEB Liability	570,694
Total Liabilities	8,758,827
Deferred Inflows of Resources	
Pensions	176,828
OPEB	844,697
Total Deferred Inflows of Resources	1,021,525
Net Position	
Investment in Capital Assets	417,253
Restricted for Other Purposes	222,282
Unrestricted (Deficit)	(5,742,447)
Total Net Position	(\$5,102,912)

See the accompanying notes to the basic financial statements.

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

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction				
Regular	\$513,935	\$467,385	\$14,169	(\$32,381)
Special	575,315	526,837	10,267	(38,211)
Adult/Continuing	33	31	2	0
Student Intervention Services	277	267	0	(10)
Other	31,501	27,664	2,776	(1,061)
Support Services				
Pupils	3,569,929	3,137,239	234,957	(197,733)
Instructional Staff	408,036	343,779	58,090	(6,167)
Board of Education	51,034	47,673	0	(3,361)
Administration	465,052	429,888	8,635	(26,529)
Fiscal	246,515	227,795	362	(18,358)
Business	24,452	23,538	0	(914)
Operation and Maintenance of Plant	215,983	175,051	8,260	(32,672)
Pupil Transportation	57,080	53,856	0	(3,224)
Central	234,531	66,376	104,868	(63,287)
Total Governmental Activities	\$6,393,673	\$5,527,379	\$442,386	(423,908)
		General Revenues		
		Grants and Entitlements not Restricted to Specific Programs	245,394	
		Investment Earnings	2,225	
		Miscellaneous	46,725	
		Total General Revenues	294,344	
		Change in Net Position		(129,564)
		Net Position Beginning of Year		(4,973,348)
		Net Position End of Year		(\$5,102,912)

See the accompanying notes to the basic financial statements.

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

	General Fund	Special Program Fund	GEER Fund	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,497,728	\$148,234	\$0	\$83,686	\$1,729,648
Accounts Receivable	2,767	0	0	3,615	6,382
Interfund Receivable	13,248	0	0	0	13,248
Intergovernmental Receivable	0	0	78,171	29,400	107,571
Total Assets	\$1,513,743	\$148,234	\$78,171	\$116,701	\$1,856,849
Liabilities					
Accounts Payable	\$37,094	\$36,461	\$1,499	\$464	\$75,518
Accrued Wages and Benefits	400,094	20,623	0	2,511	423,228
Interfund Payable	0	0	403	12,845	13,248
Intergovernmental Payable	77,505	3,212	0	5,150	85,867
Total Liabilities	514,693	60,296	1,902	20,970	597,861
Deferred Inflows of Resources					
Unavailable Revenues-Grants	0	0	77,768	29,400	107,168
Unavailable Revenues-Program Services	180	0	0	0	180
Total Deferred Inflows of Resources	180	0	77,768	29,400	107,348
Fund Balances					
Restricted	0	87,938	0	82,187	170,125
Committed	65,088	0	0	0	65,088
Assigned	933,782	0	0	0	933,782
Unassigned (Deficit)	0	0	(1,499)	(15,856)	(17,355)
Total Fund Balances	998,870	87,938	(1,499)	66,331	1,151,640
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,513,743	\$148,234	\$78,171	\$116,701	\$1,856,849

See the accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		\$1,151,640
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		417,253
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Other long-term assets are not available to pay for the current period's expenditures and therefore are deferred in the funds.

Grants	107,168		
Program services	180		
Total			107,348

The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period. Therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows-pension	1,777,905		
Deferred outflows-OPEB	245,631		
Deferred inflows-pension	(176,828)		
Deferred inflows-OPEB	(844,697)		
Net pension liability	(7,242,771)		
Net OPEB asset	393,050		
Net OPEB liability	(570,694)		
Total			(6,418,404)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(360,749)		
Total			(360,749)

Net Position of Governmental Activities		<u><u>(\$5,102,912)</u></u>
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See the accompanying notes to the basic financial statements.

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

	General Fund	Special Program Fund	GEER Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental	\$245,394	\$72,252	\$84,420	\$172,726	\$574,792
Interest	2,225	0	0	0	2,225
Program Services	4,733,737	736,857	0	61,875	5,532,469
Rent	90	0	0	0	90
Gifts and Donations	0	5,820	0	0	5,820
Miscellaneous	41,725	5,000	0	0	46,725
Total Revenues	5,023,171	819,929	84,420	234,601	6,162,121
Expenditures					
Current					
Instruction					
Regular	359,240	129,743	0	1,064	490,047
Special	439,144	103,368	0	0	542,512
Adult/Continuing	0	33	0	0	33
Student Intervention Services	277	0	0	0	277
Other	1,591	27,948	0	0	29,539
Support Services					
Pupils	2,831,495	374,658	63,141	66,499	3,335,793
Instructional Staff	349,495	1,500	22,778	13,763	387,536
Board of Education	49,524	0	0	0	49,524
Administration	358,944	79,932	0	590	439,466
Fiscal	230,269	3,647	0	0	233,916
Business	24,452	0	0	0	24,452
Operation and Maintenance of Plant	118,662	65,049	0	1,800	185,511
Pupil Transportation	53,849	0	0	0	53,849
Central	30,165	18	0	192,832	223,015
Total Expenditures	4,847,107	785,896	85,919	276,548	5,995,470
Net Change in Fund Balances	176,064	34,033	(1,499)	(41,947)	166,651
Beginning Fund Balances, July 1	822,806	53,905	0	108,278	984,989
Ending Fund Balances, June 30	\$998,870	\$87,938	(\$1,499)	\$66,331	\$1,151,640

See the accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds \$166,651

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts are as follows:

Current year depreciation	<u>(28,466)</u>	
Total		(28,466)

Because some revenues will not be collected for several months after the Center's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Grants	107,168	
Program Services	<u>(5,180)</u>	
Total		101,988

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.

Pensions	539,027	
OPEB	<u>10,203</u>	
Total		549,230

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.

Pensions	(879,236)	
OPEB	<u>22,841</u>	
Total		(856,395)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	<u>(62,572)</u>	
Total		<u>(62,572)</u>

Change in Net Position of Governmental Activities		<u><u>(\$129,564)</u></u>
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See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center
Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$60,614
Intergovernmental Receivable	<u>35,924</u>
Total Assets	96,538
Net Position	
Restricted for Individuals, Organizations, and Other Governments	<u>96,538</u>
Total Net Position	<u><u>\$96,538</u></u>

See the accompanying notes to the basic financial statements.

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

	Custodial Fund
Additions	
Amounts Received as Fiscal Agent	<u>\$478,899</u>
Total Additions	478,899
Deductions	
Distributions as Fiscal Agent	<u>458,436</u>
Total Deductions	<u>458,436</u>
Change in Net Position	20,463
Net Position Beginning of Year-Restated	<u>76,075</u>
Net Position End of Year	<u><u>\$96,538</u></u>

See the accompanying notes to the basic financial statements.

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Note 1 – Description of the Center and Reporting Entity

Description of the Entity

The Pickaway County Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a County School District as defined by Section 313 of the Ohio Revised Code (ORC).

The Center is governed by a five member Governing Board elected by the citizens of Pickaway County and is responsible for the provision of special education and support services to public school districts located in the County. The Center also provides support services for the pupils and instructional staff, general administration, business, and fiscal services.

The Center serves Logan Elm Local School District, Teays Valley Local School District, and Westfall Local School District as provided by Senate Bill 140, ORC Section 3313.483. Circleville City School District and other school districts inside and outside of Pickaway County are served on an individual contract basis for various services.

Reporting Entity

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

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

During fiscal year 2021, the Center was associated with three jointly governed organizations and two insurance purchasing pools. These organizations are META Solutions, Pickaway-Ross Career and Technology Center, the Pickaway County Public Employees Benefits Program, the Ohio Association of School Business Officials Workers' Compensation Group Rating Program, and Schools of Ohio Risk Sharing Authority. These organizations are discussed in notes 10 and 13.

Note 2 – Summary of Significant Accounting Policies

Fund Accounting

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

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

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Governmental Funds:

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

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

Special Program Fund – The special program special revenue fund is used to account for financial resources received and expended for various programs provided by the Center. The major sources of revenue of this fund are intergovernmental grants and charges for services provided by the Center.

GEER Fund – The GEER special revenue fund is used to account for financial resources received to provide emergency support through grants to schools that have been most significantly impacted by coronavirus. These monies are restricted to support the Center to continue to provide educational services to the students.

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

Fiduciary Fund:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Center's only fiduciary fund is a custodial fund which is used to account for activity of the Pickaway County Family and Children First Council, for which the Center acts as fiscal agent. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Basis of Presentation

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

Government-wide Financial Statements:

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

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Fund Financial Statements:

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Deferred Inflows/Outflows of Resources - In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. For the Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and other

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

post-employment benefits. The pension and other post-employment benefits items are further explained in notes 6 and 7.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources are reported on the government-wide statement of net position for pension and other post-employment benefits. The pension and other post-employment benefits items are further explained in notes 6 and 7.

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

Budgetary Process

Although not legally required, the Center adopts its budget for all funds, except for the custodial fund. The budget includes the estimated resources and expenditures for each fund and consists of three parts: Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated revenues. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances 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 levels without resolution by the Board. Throughout the year, estimated resources and appropriations may be amended or supplemented as circumstances warrant.

Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet and the statement of net position.

As of June 30, 2021, the Center had no investments.

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of \$5,000. The Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 Years
Building	30 Years
Furniture and Equipment	5-10 Years

Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due to/from other funds.” Also, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of the statement of net position.

Intergovernmental Revenues

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

Interfund Transactions

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

Compensated Absences

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

1. The employee’s right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

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

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

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid. The Center had no matured compensated absences at June 30, 2021.

Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds upon the occurrence of employee resignations and retirements are reported as a liability in the fund financial statements. The Center had no long-term obligations other than compensated absences, net pension liability, and net OPEB liability at June 30, 2021 as disclosed in note 4.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

None of the Center’s restricted net position is restricted by enabling legislation.

Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by policies of the Center Board.

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

Estimates

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

Pensions/OPEB

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

Note 3 – Deposits and Investments

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2021, the Center's bank balance of \$1,894,308 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described below.

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

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 4 – Long-Term Liabilities

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

	Balance at 6/30/20	Increase	Decrease	Balance at 6/30/21	Due Within One Year
Compensated Absences	\$298,177	\$225,142	(\$162,570)	\$360,749	\$18,241
Net Pension Liability	6,292,370	950,401	0	7,242,771	0
Net OPEB Liability	692,279	0	(121,585)	570,694	0
Total	\$7,282,826	\$1,175,543	(\$284,155)	\$8,174,214	\$18,241

Compensated absences will be paid from the fund from which the employee is paid with the primary fund being the general fund. The Center pays obligations related to employee compensation from the fund benefitting from their service.

Note 5 – Capital Assets

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

	Balance at 6/30/20	Additions	Deletions	Balance at 6/30/21
<i>Governmental Activities:</i>				
Capital Assets Not Being Depreciated				
Land	\$66,900	\$0	\$0	\$66,900
Total Capital Assets Not Being Depreciated	66,900	0	0	66,900
Capital Assets Being Depreciated				
Land Improvements	19,330	0	0	19,330
Building	700,899	0	0	700,899
Furniture and Equipment	95,151	0	0	95,151
Total Capital Assets Being Depreciated	815,380	0	0	815,380
Less Accumulated Depreciation				
Land Improvements	(19,330)	0	0	(19,330)
Building	(357,330)	(24,028)	0	(381,358)
Furniture and Equipment	(59,901)	(4,438)	0	(64,339)
Total Accumulated Depreciation	(436,561)	(28,466)	0	(465,027)
Total Capital Assets Being Depreciated, Net	378,819	(28,466)	0	350,353
Governmental Activities Capital Assets, Net	<u>\$445,719</u>	<u>(\$28,466)</u>	<u>\$0</u>	<u>\$417,253</u>

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Board of Education	\$787
Operation and Maintenance of Plant	27,679
Total Depreciation Expense	<u>\$28,466</u>

Note 6 – Defined Benefit Pension Plans

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

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Net Pension Liability/Net OPEB Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The Center’s contractually required contributions to SERS were \$132,222 for fiscal year 2021.

State Teachers Retirement System (STRS)

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

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

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

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For the Fiscal Year Ended June 30, 2021

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate was 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The Center's contractually required contributions to STRS were \$406,805 for fiscal year 2021.

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

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

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For the Fiscal Year Ended June 30, 2021

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Current Measurement Date	0.02768940%	0.02236418%	
Proportion of the Net Pension Liability Prior Measurement Date	<u>0.02811390%</u>	<u>0.02084735%</u>	
Change in Proportionate Share	<u>-0.00042450%</u>	<u>0.00151683%</u>	
Proportionate Share of the Net Pension Liability	\$1,831,435	\$5,411,336	\$7,242,771
Pension Expense	\$193,555	\$685,681	\$879,236

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$3,557	\$12,142	\$15,699
Net difference between projected and actual earnings on pension plan investments	116,262	263,153	379,415
Changes of assumptions	0	290,484	290,484
Changes in proportion and differences between Center contributions and proportionate share of contributions	4,568	548,712	553,280
Center contributions subsequent to the measurement date	<u>132,222</u>	<u>406,805</u>	<u>539,027</u>
Total Deferred Outflows of Resources	<u>\$256,609</u>	<u>\$1,521,296</u>	<u>\$1,777,905</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$0	\$34,601	\$34,601
Changes in proportion and differences between Center contributions and proportionate share of contributions	<u>18,274</u>	<u>123,953</u>	<u>142,227</u>
Total Deferred Inflows of Resources	<u>\$18,274</u>	<u>\$158,554</u>	<u>\$176,828</u>

\$539,027 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2022	(\$7,518)	\$257,119	\$249,601
2023	28,769	276,142	304,911
2024	48,461	241,896	290,357
2025	36,401	180,780	217,181
Total	\$106,113	\$955,937	\$1,062,050

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of

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inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Center's proportionate share of the net pension liability	\$2,508,843	\$1,831,435	\$1,263,078

Actuarial Assumptions - STRS

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

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

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

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

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

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

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include 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 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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For the Fiscal Year Ended June 30, 2021

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Center's proportionate share of the net pension liability	\$7,704,800	\$5,411,336	\$3,467,816

Note 7 – Postemployment Benefits

See note 6 for a description of the net OPEB liability

School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the Center's surcharge obligation was \$10,203.

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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center’s contractually required contribution to SERS was \$10,203 for fiscal year 2021.

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. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.02625900%	0.02236418%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	<u>0.02752830%</u>	<u>0.02084735%</u>	
Change in Proportionate Share	<u><u>-0.00126930%</u></u>	<u><u>0.00151683%</u></u>	
Proportionate Share of the Net			
OPEB Liability	\$570,694	\$0	\$570,694
Proportionate Share of the Net			
OPEB Asset	\$0	(\$393,050)	(\$393,050)
OPEB Expense	(\$16,425)	(\$6,416)	(\$22,841)

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

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For the Fiscal Year Ended June 30, 2021

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$7,496	\$25,184	\$32,680
Net difference between projected and actual earnings on OPEB plan investments	6,429	13,774	20,203
Changes of assumptions	97,284	6,487	103,771
Changes in proportionate share and difference between Center contributions and proportionate share of contributions	9,597	69,177	78,774
Center contributions subsequent to the measurement date	<u>10,203</u>	<u>0</u>	<u>10,203</u>
Total Deferred Outflows of Resources	<u>\$131,009</u>	<u>\$114,622</u>	<u>\$245,631</u>
 <i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$290,238	\$78,290	\$368,528
Changes of assumptions	14,376	373,331	387,707
Changes in proportionate share and difference between Center contributions and proportionate share of contributions	<u>88,462</u>	<u>0</u>	<u>88,462</u>
Total Deferred Inflows of Resources	<u>\$393,076</u>	<u>\$451,621</u>	<u>\$844,697</u>

\$10,203 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$56,793)	(\$84,541)	(\$141,334)
2023	(160,239)	(75,217)	(235,456)
2024	(21,744)	(71,944)	(93,688)
2025	(23,683)	(69,927)	(93,610)
2026	(9,811)	(16,729)	(26,540)
Thereafter	<u>0</u>	<u>(18,641)</u>	<u>(18,641)</u>
Total	<u>(\$272,270)</u>	<u>(\$336,999)</u>	<u>(\$609,269)</u>

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Center's proportionate share of the net OPEB liability	\$698,515	\$570,694	\$469,076

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Center's proportionate share of the net OPEB liability	\$449,378	\$570,694	\$732,924

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

Actuarial Assumptions – STRS

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

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

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

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

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:

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

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

Sensitivity of the 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, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Center's proportionate share of the net OPEB asset	(\$341,979)	(\$393,050)	(\$436,382)
		<u>Current Trend Rate</u>	<u>1% Increase</u>
Center's proportionate share of the net OPEB asset	(\$433,692)	(\$393,050)	(\$343,542)

Note 8 – Risk Management

Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Center contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for general property insurance. The coverage has no deductible with replacement cost coverage of \$350,000,000.

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

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

General Liability – Occurrence Form:	
Bodily Injury and Property Damage	\$15,000,000
Personal Injury/Advertising Liability	15,000,000
Products/Completed Operations	15,000,000
Employee Benefits Liability	15,000,000
Employers Stop Gap Liability	
Bodily Injury by Accident	15,000,000
Bodily Injury by Disease - Policy Limit	15,000,000
Bodily Injury by Disease - Each Employee	15,000,000
Aggregate Limit	15,000,000
General Annual Aggregate	17,000,000
Fire Damage Limit – Any One Event	500,000

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

Public officials' bond insurance is provided by The Travelers Casualty and Surety Company of America. The Treasurer is covered by a bond in the amount of \$25,000. The Board President and Superintendent are covered by bonds in the amount of \$20,000 each. Secretaries and fiscal staff are covered by bonds in the amount of \$5,000 each.

Workers Compensation Rating Program

For fiscal year 2021, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund".

This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Employee Benefits

Effective January 1, 2021, the Center began offering health care and dental benefits to employees through the Pickaway County Public Employee Benefits Program (PCPEBP), a public entity shared risk pool, currently operating as a common risk management and insurance program for its members. The PCPEBP was organized to provide health care and dental benefits to its members. The Center pays 80% of the health care and dental premiums for all full-time classified employees on the family and/or single plan. No benefits are offered to employees working part-time. Part-time is defined as less than 29 hours per week, identified using American Fidelity hours and eligibility tracking. The health care coverage is administered by United Healthcare, a third-party administrator. The stop-loss coverage is \$150,000 per covered person with an aggregate of \$2,000,000. Dental coverage is provided through Delta Dental.

The Center also provides vision insurance through VSP.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 9 – Interfund Transactions

Interfund Payables/Receivables

At June 30, 2021, the Center had short-term interfund loans which are classified as “interfund receivables/payables.” An analysis of interfund balances is as follows:

	Receivables	Payables
<i>Major Funds:</i>		
General Fund	\$13,248	\$0
GEER Fund	0	403
 <i>Nonmajor Fund:</i>		
ESSER Fund	0	12,845
Total	\$13,248	\$13,248

The general fund made advances to the GEER and ESSER funds in anticipation of monies to be received by these funds.

Note 10 – Jointly Governed Organizations

Metropolitan Educational Technology Association (META) Solutions

META Solutions is an educational solutions partner providing services across Ohio. META Solutions provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions’ Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member’s degree of control is limited to its representation on the Board. The Center paid META Solutions \$9,371 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Pickaway-Ross Career and Technology Center

The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio. The Pickaway-Ross Career and Technology Center has an eleven-member board of education. The Center has three board members as representatives on the Pickaway-Ross Career and Technology Center Board. The Pickaway-Ross Career and Technology Center possesses its own budgeting and taxing authority. The Center has no ongoing financial interest in or financial responsibility to the Pickaway-Ross Career and Technology Center. To obtain financial information write to the Pickaway-Ross Career and Technology Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601-9010.

Pickaway County Public Employer Benefits Program

The Pickaway County Public Employer Benefits Program (PCPEBP) is a public entity shared risk pool organized to provide health care and dental insurance benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee. Teays Valley Local School District serves as fiscal agent for the

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

PCPEBP. To obtain financial information, write Trey Fausnaugh, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville, Ohio 43103.

Note 11 – State Funding

The Center, under State law, provides supervisory services to the local school districts within its territory. The city school district that entered into an agreement with the Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the 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 Center. The Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Center also receives funding from the State Department of Education, in the amount of \$37 multiplied by the average daily membership of the Center. Average daily membership includes the total student counts of all of the local school districts served by the Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlements of each of the school districts served by the Center an amount equal to \$6.50 for the city school district and \$9.25 for the local school districts multiplied by the school district's total student count and remits this amount to the Center.

Due to provisions in the State budget bill, the per pupil funding in the permanent section of law did not apply to fiscal years 2016 through 2021. Instead, educational service centers received a percentage of the funding that they received the previous year.

The 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 have the costs for these services withheld from their foundation settlements to be paid by the foundation to the Center each month.

Note 12 - Contingencies

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2021.

Litigation

The Center is not party to legal proceedings.

Note 13 – Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium

Pickaway County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “equity pooling fund”. This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Schools of Ohio Risk Sharing Authority

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

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

Note 14 – Fund Balances

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

	General	Special Program	GEER	Nonmajor Governmental	Total Governmental Funds
<i>Restricted for</i>					
Special Program	\$0	\$87,938	\$0	\$0	\$87,938
Bus Driver Safety	0	0	0	82,187	82,187
<i>Total Restricted</i>	0	87,938	0	82,187	170,125
<i>Committed for</i>					
Severance Benefits	65,088	0	0	0	65,088
<i>Total Committed</i>	65,088	0	0	0	65,088
<i>Assigned to</i>					
FY22 Appropriations in Excess of Estimated Receipts	903,899	0	0	0	903,899
Purposes on Order	6,705	0	0	0	6,705
Employee Health Benefits	23,178	0	0	0	23,178
<i>Total Assigned</i>	933,782	0	0	0	933,782
<i>Unrestricted (Deficit)</i>	0	0	(1,499)	(15,856)	(17,355)
Total Fund Balances	\$998,870	\$87,938	(\$1,499)	\$66,331	\$1,151,640

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Encumbrances

At June 30, 2021, the Center had encumbrance commitments in governmental funds as follows:

<i>Major Funds:</i>	
General	\$14,917
Special Program	38,309
GEER	1,499
<i>Nonmajor Fund:</i>	
Bus Driver Safety	<u>1,650</u>
Total	<u><u>\$56,375</u></u>

Note 16 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Center. The Center’s investment portfolio and the investments of the pension and other employee benefit plan in which the Center participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Center’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

During fiscal year 2021, the Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in the amount of \$143,220, \$84,420 provided through GEER funds and \$58,800 provided through ESSER funds. Of the amounts received, none was subgranted to other governments or organizations, returned to the granting agency, or spent on-behalf of other governments. Additionally, the Center did not receive a significant amount of donated personal protective equipment as an on-behalf of grant from another government.

Note 17 – Accountability

At June 30, 2021, the ESSER and GEER special revenue funds had deficit balances of \$15,856 and \$1,499, respectively. The general fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Note 18 – Subsequent Events

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

Note 19 – Change in Accounting Principles and Restatement of Net Position

For fiscal year 2021, the Center implemented GASB Statement No. 84, “Fiduciary Activities” and related guidance from (GASB) Implementation Guide No. 2019-2, “Fiduciary Activities.” GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Center will no longer be reporting agency funds. The Center reviewed its agency fund and will be reported in the new fiduciary fund classification of custodial funds. The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of July 1, 2020:

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	Fiduciary Fund
	<u>Custodial</u>
Net Position, As Reported, June 30, 2020	\$0
GASB 84 Adjustment	<u>76,075</u>
Net Position, As Restated, July 1, 2020	<u>\$76,075</u>

Pickaway County Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>								
Center's proportion of the net pension liability	0.02033810%	0.02033810%	0.02045540%	0.01925840%	0.01732025%	0.01996442%	0.02084735%	0.02236418%
Center's proportionate share of the net pension liability	\$5,892,750	\$4,946,930	\$5,653,272	\$6,446,367	\$4,114,463	\$4,389,728	\$4,610,266	\$5,411,336
Center's covered-employee payroll	\$2,171,623	\$2,188,408	\$2,254,964	\$1,811,386	\$2,036,193	\$2,315,071	\$2,468,657	\$2,755,357
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	271.35%	226.05%	250.70%	355.88%	202.1%	189.6%	186.8%	196.4%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%
<i>School Employees Retirement System</i>								
Center's proportion of the net pension liability	0.03318399%	0.03318399%	0.02958000%	0.02892170%	0.02812380%	0.02768740%	0.02811390%	0.02768940%
Center's proportionate share of the net pension liability	\$1,973,346	\$1,679,423	\$1,687,880	\$2,116,802	\$1,680,335	\$1,585,709	\$1,682,104	\$1,831,435
Center's covered-employee payroll	\$818,280	\$964,459	\$949,628	\$898,200	\$1,008,429	\$844,711	\$920,193	\$953,443
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	241.16%	174.13%	177.74%	235.67%	166.6%	187.7%	182.8%	192.1%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	86.5%	63.0%	69.5%	71.4%	70.9%	68.6%

The amounts presented are as of the Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See the accompanying notes to the required supplementary information.

Pickaway County Educational Service Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net OPEB Liability (Asset)
Last Five Fiscal Years

	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>					
Center's proportion of the net OPEB liability (asset)	0.01925840%	0.01732025%	0.01996442%	0.02084735%	0.02236418%
Center's proportionate share of the net OPEB liability (asset)	\$926,291	\$675,772	(\$320,808)	(\$345,282)	(\$393,050)
Center's covered-employee payroll	\$1,811,386	\$2,036,193	\$2,315,071	\$2,468,657	\$2,755,357
Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	51.1%	33.2%	-13.9%	-14.0%	-14.3%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%
<i>School Employees Retirement System</i>					
Center's proportion of the net OPEB liability	0.02892170%	0.02823360%	0.02706290%	0.02752830%	0.02625900%
Center's proportionate share of the net OPEB liability	\$804,762	\$757,716	\$750,798	\$692,279	\$570,694
Center's covered-employee payroll	\$898,200	\$1,008,429	\$844,711	\$920,193	\$953,443
Center's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	89.6%	75.1%	88.9%	75.2%	59.9%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%

The amounts presented are as of the Center's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.
See the accompanying notes to the required supplementary information.

Pickaway County Educational Service Center
Required Supplementary Information
Schedule of Center Contributions
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$278,508	\$282,311	\$284,493	\$315,695	\$253,594	\$285,067	\$324,110	\$345,612	\$385,750	\$406,805
Contractually required contribution - OPEB	21,424	21,716	21,884	0	0	0	0	0	0	0
Contractually required contribution - total	299,932	304,027	306,377	315,695	253,594	285,067	324,110	345,612	385,750	406,805
Contributions in relation to the contractually required contribution	299,932	304,027	306,377	315,695	253,594	285,067	324,110	345,612	385,750	406,805
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center's covered-employee payroll	\$2,142,369	\$2,171,623	\$2,188,408	\$2,254,964	\$1,811,386	\$2,036,193	\$2,315,071	\$2,468,657	\$2,755,357	\$2,905,750
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$102,992	\$113,250	\$133,674	\$125,161	\$125,748	\$141,180	\$114,036	\$124,226	\$133,482	\$132,222
Contractually required contribution - OPEB (1)	4,212	1,309	1,350	7,787	0	0	4,224	4,601	0	0
Contractually required contribution - total	107,204	114,559	135,024	132,948	125,748	141,180	118,260	128,827	133,482	132,222
Contributions in relation to the contractually required contribution	107,204	114,559	135,024	132,948	125,748	141,180	118,260	128,827	133,482	132,222
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center's covered-employee payroll	\$765,740	\$818,280	\$964,459	\$949,628	\$898,200	\$1,008,429	\$844,711	\$920,193	\$953,443	\$944,443
Contributions as a percentage of covered-employee payroll - pension	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See the accompanying notes to the required supplementary information.

State Teachers Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2019 through 2021.

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extend the current Medicare Part B partial reimbursement for one year.

Pickaway County Educational Service Center
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

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

Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
 - Medical Medicare – 6 percent initial, 4 percent ultimate
 - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
 - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
 - Prescription Drug Pre-Medicare – -5.23 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

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

Pickaway County Educational Service Center
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

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

School Employees Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disable member was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

There were no changes in assumptions for fiscal years 2019 through 2021.

Pickaway County Educational Service Center
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2020.

Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

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

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
 - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
 - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
 - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

Pickaway County Educational Service Center
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

Pickaway County Educational Service Center
Schedule of Revenues, Expenditures and Change in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$240,344	\$245,394	\$245,394	\$0
Interest	8,000	8,000	2,225	(5,775)
Program Services	4,417,968	4,760,675	4,733,290	(27,385)
Rent	0	90	90	0
Miscellaneous	0	41,725	41,725	0
Total Revenues	4,666,312	5,055,884	5,022,724	(33,160)
Expenditures				
Current				
Instruction				
Regular	253,781	353,639	353,398	241
Special	448,093	501,009	458,811	42,198
Student Intervention Services	0	277	277	0
Other	920	1,689	1,465	224
Support Services				
Pupils	2,766,124	2,868,328	2,861,624	6,704
Instructional Staff	438,565	400,002	370,321	29,681
Board of Education	80,978	55,039	55,039	0
Administration	1,514,043	1,505,909	363,723	1,142,186
Fiscal	245,150	236,389	232,555	3,834
Business	25,000	31,500	28,907	2,593
Operation and Maintenance of Plant	124,728	178,650	117,359	61,291
Pupil Transportation	63,589	63,714	55,953	7,761
Central	4,758	83,233	4,658	78,575
Total Expenditures	5,965,729	6,279,378	4,904,090	1,375,288
Excess of Revenues Over (Under) Expenditures	(1,299,417)	(1,223,494)	118,634	1,342,128
Other Financing Sources (Uses)				
Transfers In	27,251	78,575	78,575	0
Advances In	0	27,251	27,251	0
Transfers Out	0	(78,575)	(78,575)	0
Advances Out	0	(12,845)	(12,845)	0
Total Other Financing Sources (Uses)	27,251	14,406	14,406	0
Net Change in Fund Balances	(1,272,166)	(1,209,088)	133,040	1,342,128
Fund Balance at Beginning of Year	1,195,990	1,195,990	1,195,990	0
Prior Year Encumbrances Appropriated	13,100	13,100	13,100	0
Ending Fund Balances, December 31	(\$63,076)	\$2	\$1,342,130	\$1,342,128

See the accompanying notes to the supplementary information.
See independent accountant's compilation report.

Pickaway County Educational Service Center
*Schedule of Revenues, Expenditures and Change in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Special Program Fund
For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$16,462	\$121,152	\$72,252	(\$48,900)
Program Services	443,029	759,233	736,966	(22,267)
Gifts and Donations	0	5,820	5,820	0
Miscellaneous	0	5,000	5,000	0
Total Revenues	459,491	891,205	820,038	(71,167)
Expenditures				
Current				
Instruction				
Regular	135,611	232,754	140,012	92,742
Special	77,643	104,475	94,835	9,640
Adult/Continuing	3,000	3,000	33	2,967
Other	0	27,948	27,948	0
Support Services				
Pupils	161,200	407,747	376,469	31,278
Instructional Staff	0	1,500	1,500	0
Administration	59,385	147,732	98,832	48,900
Fiscal	0	3,647	3,647	0
Operation and Maintenance of Plant	26,174	53,777	46,274	7,503
Central	1,412	1,412	18	1,394
Total Expenditures	464,425	983,992	789,568	194,424
Excess of Revenues Over (Under) Expenditures	(4,934)	(92,787)	30,470	123,257
Other Financing Sources (Uses)				
Transfers In	0	13,328	0	(13,328)
Advances Out	(76)	(76)	(76)	0
Total Other Financing Sources (Uses)	(76)	13,252	(76)	(13,328)
Net Change in Fund Balances	(5,010)	(79,535)	30,394	109,929
Fund Balance at Beginning of Year	78,186	78,186	78,186	0
Prior Year Encumbrances Appropriated	1,345	1,345	1,345	0
Ending Fund Balances, December 31	\$74,521	(\$4)	\$109,925	\$109,929

See the accompanying notes to the supplementary information.
See independent accountant's compilation report.

Pickaway County Educational Service Center
*Schedule of Revenues, Expenditures and Change in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
GEER Fund
For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$162,188	\$84,017	(\$78,171)
Total Revenues	0	162,188	84,017	(78,171)
Expenditures				
Current				
Support Services				
Pupils	0	110,136	63,141	46,995
Instructional Staff	0	31,884	22,778	9,106
Operation and Maintenance of Plant	0	20,168	0	20,168
Total Expenditures	0	162,188	85,919	76,269
Net Change in Fund Balances	0	0	(1,902)	(1,902)
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
Ending Fund Balances, December 31	\$0	\$0	(\$1,902)	(\$1,902)

See the accompanying notes to the supplementary information.
See independent accountant's compilation report.

Pickaway County Educational Service Center
Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2021

Note 1 – Budgetary Process

The Center is not required under State statute to file budgetary information with the Ohio Department of Education. However, the Center’s Board does follow the budgetary process for control purposes.

The Center’s Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts of estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

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

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

Note 2 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of revenues, expenditures and changes in fund balance – budget (non-GAAP budgetary basis) and actual – for the general fund and each major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).
5. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the Workers Compensation and Termination Benefits Funds. These funds were excluded from the budgetary presentation for the General Fund.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statement/schedule for the general fund and each major special revenue fund.

Pickaway County Educational Service Center
Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2021

	Net Change in Fund Balance		
	General	Special Program	GEER
GAAP Basis	\$176,064	\$34,033	(\$1,499)
Adjustments:			
Revenue Accruals	(447)	109	(403)
Expenditure Accruals	(36,478)	34,637	1,499
Transfers In	78,575	0	0
Transfers Out	(78,575)	0	0
Advances In	27,251	0	0
Advances Out	(12,845)	(76)	0
Encumbrances	(14,917)	(38,309)	(1,499)
Perspective Differences	(5,588)	0	0
Budget Basis	\$133,040	\$30,394	(\$1,902)

OHIO AUDITOR OF STATE KEITH FABER



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

Pickaway County Educational Service Center
Pickaway County
2050 Stoneridge Drive
Circleville, Ohio 43113

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway County Educational Service Center, Pickaway County, (the Center) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated June 1, 2022, wherein we noted the Center adopted new accounting guidance in Governmental Accounting Standards Boards (GASB) Statement No. 84, *Fiduciary Activities* and the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Center.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

June 1, 2022

OHIO AUDITOR OF STATE KEITH FABER



PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER

PICKAWAY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/28/2022

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