EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

LORAIN COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Julian & Grube
Serving Ohio Local Governments

OHIO AUDITOR OF STATE
KEITH FABER

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

Members of the Governing Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, OH 44035

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of Lorain County, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 08, 2023

This page intentionally left blank.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

TABLE OF CONTENTS

This page intentionally left blank.

Julian & Grube

333 County Line Road, West
Westerville, OH 43082
614-846-1899

jginc.biz

Independent Auditor's Report

Educational Service Center of Lorain County
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Members of the Governing Board:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As described in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Educational Service Center of Lorain County. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Educational Service Center of Lorain County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Service Center of Lorain County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions, listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Service Center of Lorain County's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022 on our consideration of the Educational Service Center of Lorain County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Educational Service Center of Lorain County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center of Lorain County's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 27, 2022

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

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position of governmental activities increased $2,455,525 which represents an 28.87% increase from net position at June 30, 2021.

- General revenues accounted for $1,427,858 in revenue or 8.65% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $15,086,751 or 91.35% of total revenues of $16,514,609.

- The Center had $14,059,084 in expenses related to governmental activities; $15,086,751 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,427,858 also supported the Center's programs.

- The Center's major governmental fund is the general fund. The general fund had $13,923,442 in revenues and $13,132,677 in expenditures. During fiscal year 2022, the general fund's fund balance increased $790,765 from a balance of $4,058,177 to $4,848,942.

Using these Basic Financial Statements

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

The statement of net position and statement of activities provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Center, the general fund is the most significant fund, and the only governmental fund reported as a major fund.

Reporting the Center as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the Center's net position and changes in net position. The change in net position is important because it tells the reader that, for the Center as a whole, the financial condition of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center's facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, and food service operations.

Reporting the Center's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the Center's most significant funds. The Center's major governmental fund is the general fund.

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial 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 programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the net pension liability and net OPEB liability/asset in this report after the notes to the basic financial statements.

The Center as a Whole

Recall that the statement of net position provides the perspective of the Center as a whole. Amounts were restated for 2021 for the implementation of GASB Statement No. 87, see Note 3.A for detail. The table on the next page provides a summary of the Center's net position for 2022 and 2021.

Net Position

	Governmental Activities 2022	(Restated) Governmental Activities 2021
Assets		
Current and other assets	$ 7,203,372	$ 5,765,753
Net OPEB asset	1,025,396	841,121
Capital assets	1,144,945	1,027,754
Total assets	9,373,713	7,634,628
Deferred outflows of resources		
Pension	3,441,233	2,595,335
OPEB	303,206	357,256
Total deferred outflows:	3,744,439	2,952,591
Liabilities		
Current liabilities	2,136,189	1,417,278
Long-term liabilities:		
Due within one year	183,268	180,898
Due in more than one year:		
Net pension liability	7,752,959	14,350,449
Net OPEB liability	809,295	933,361
Other amounts	272,104	301,251
Total liabilities	11,153,815	17,183,237
Deferred inflows of resources		
Leases	28,700	120,469
Pension	6,309,112	255,611
OPEB	1,676,535	1,533,437
Total deferred inflows:	8,014,347	1,909,517
Net position		
Investment in capital assets	1,097,016	966,085
Restricted	37,269	913,189
Unrestricted (deficit)	(7,184,295)	(10,384,809)
Total net position (deficit)	$ (6,050,010)	$ (8,505,535)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the Center's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2022, the Center's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $6,050,010. Of this total, a deficit of $7,184,295 is unrestricted in use, which is a result of reporting the net pension liability and net OPEB liability.

At year-end, capital assets represented 12.21% of total assets. Capital assets include land, buildings and improvements, furniture, fixtures and equipment, vehicles and intangible right to use leased equipment. The Center's investment in capital assets at June 30, 2022, was $1,097,016. These capital assets are used to provide services to the students and are not available for future spending.

Total assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 12 for more detail.

The net pension liability decreased $6,597,490 or 45.97% and deferred inflows of resources related to pension increased $6,053,501. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Net investment income on investments at both pension systems exceeded estimates for the fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which cause a large increase in fiduciary net position.

A portion of the Center's net position, $37,269 represents resources that are subject to external restriction on how they may be used.

Governmental Activities

The net position of the Center's governmental activities increased $2,455,525. Total governmental expenses of $14,059,084 were offset by program revenues of $15,086,751 and general revenues of $1,427,858. Program revenues supported all of governmental expenses for fiscal year 2022.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 76.55% of total governmental revenue and increased 32.27% from the fiscal year 2021. During fiscal year 2022, the Ohio Department of Education (ODE) contracted with the Center to provide services and assistance to nonpublic schools that received Emergency Assistance to Nonpublic Schools (EANS) funding. The Center provides services and assistance to these nonpublic schools on behalf of ODE and in accordance with the CRSSA Act.

Overall, expenses of the governmental activities increased $1,648,922. This increase is primarily the result of increased expenses for EANS reimbursements offset by a $3.4 million decrease in pension expense. This decrease in pension expense was the result of a decrease in expenses incurred at the pension system level for STRS and SERS due to an increase in net investment income on investments compared to previous years. The largest expense of the Center is for support services. Support services expenses totaled $10,487,523 or 74.60% of total governmental expenses for fiscal 2022.

The table below shows the changes in net position for fiscal years 2022 and 2021.

Changes in Net Position

Revenues	Governmental Activities 2022	Governmental Activities 2021
Program Revenues:		
Charges for services and sales	$ 12,641,856	$ 9,557,526
Operating grants and contributions	2,444,895	2,198,992
Capital grants and contributions	-	150,000
General revenues:		
Grants and entitlements	1,152,142	966,285
Investment earnings	(37,955)	32,003
Other	313,671	198,893
Total revenues	16,514,609	13,103,699

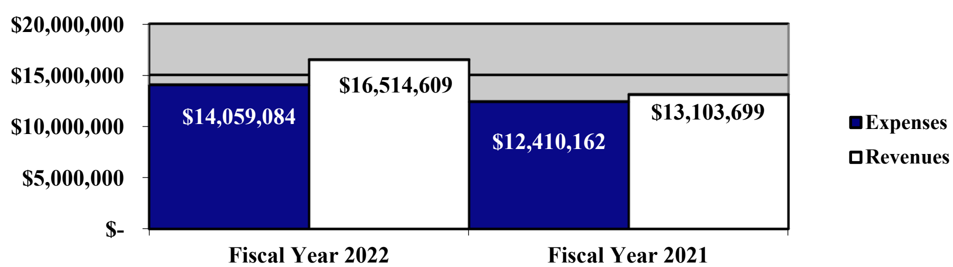
(Continued)

Change in Net Position - (Continued)

	Governmental Activities 2022	Governmental Activities 2021
Expenses		
Program expenses:		
Instruction:		
Regular	$ 1,438,172	$ 659,806
Special	2,045,376	2,281,090
Support services:		
Pupil	3,140,171	3,360,679
Instructional staff	5,230,002	4,092,288
Board of education	18,892	27,303
Administration	752,497	830,056
Fiscal	501,862	450,917
Business	168,147	107,379
Operations and maintenance	536,542	357,090
Central	139,410	136,155
Operation of non-instructional services:		
Other non-instructional services	84,782	98,402
Extracurricular activities	-	8,997
Interest and fiscal charges	3,231	-
Total expenses	14,059,084	12,410,162
Change in net position	2,455,525	693,537
Net position (deficit) at beginning of year	(8,505,535)	(9,199,072)
Net position (deficit) at end of year	$ (6,050,010)	$ (8,505,535)

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2022 and 2021.

Governmental Activities - Revenues and Expenses



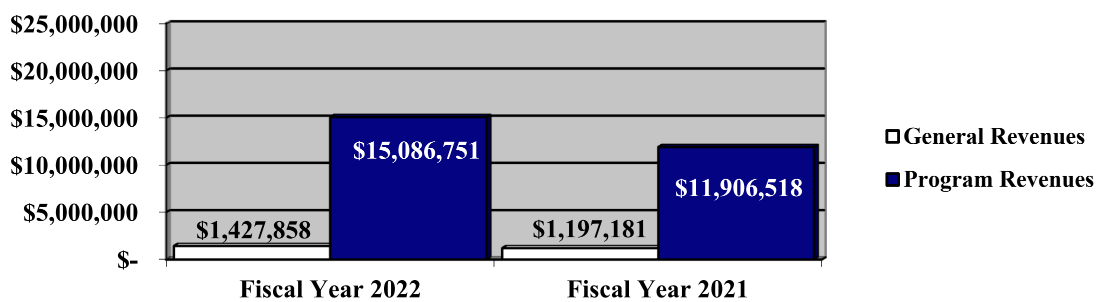
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements, investment earnings and miscellaneous revenue.

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Program expenses				
Instruction:				
Regular	$ 1,438,172	$ (15,769)	$ 659,806	$ (182,323)
Special	2,045,376	(225,283)	2,281,090	(138,668)
Support services:				
Pupil	3,140,171	(311,516)	3,360,679	(201,523)
Instructional staff	5,230,002	(325,681)	4,092,288	(216,969)
Board of education	18,892	(520)	27,303	27,303
Administration	752,497	(41,577)	830,056	825,873
Fiscal	501,862	(14,271)	450,917	41,044
Business	168,147	37,896	107,379	2,870
Operations and maintenance	536,542	(117,464)	357,090	192,656
Central	139,410	(7,043)	136,155	136,155
Operation of non-instructional services:				
Other non-instructional services	84,782	(9,670)	98,402	8,229
Extracurricular activities	-	-	8,997	8,997
Interest and fiscal charges	3,231	3,231	-	-
Total expenses	$ 14,059,084	$ (1,027,667)	$ 12,410,162	$ 503,644

Governmental activities were primarily supported by program revenues for fiscal years 2022 and 2021. The primary support of the Center is charges for services program revenue for services provided to member school districts and nonpublic schools. These revenues increased overall during 2022 as a result of the EANS program, resulting in a decrease in net cost of services in fiscal year 2022.

The graph below presents the Center's governmental activities revenue for fiscal years 2022 and 2021.

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of $4,421,209, which is greater than last year's total of $4,057,079. The schedule below indicates the fund balances and the changes in fund balances as of June 30, 2022 and 2021.

Funds	Fund Balance (deficit) June 30, 2022	Fund Balance (deficit) June 30, 2021	Increase (Decrease)	Percentage Change
General	$ 4,848,942	$ 4,058,177	$ 790,765	19.49 %
Nonmajor governmental	(427,733)	(1,098)	(426,635)	38,855.65 %
Total	$ 4,421,209	$ 4,057,079	$ 364,130	8.98 %

General Fund

The tables that follow show the revenues and expenditures of the general fund for fiscal years 2022 and 2021.

Revenues	2022 Amount	2021 Amount	Increase (Decrease)	Percentage Change
Tuition	$ 5,733,300	$ 5,521,345	$ 211,955	3.84 %
Earnings on investments	(39,496)	32,003	(71,499)	(223.41) %
Charges for services	6,774,993	3,888,791	2,886,202	74.22 %
Intergovernmental	1,152,142	1,116,285	35,857	3.21 %
Other revenues	302,503	339,275	(36,772)	(10.84) %
Total	$ 13,923,442	$ 10,897,699	$ 3,025,743	27.76 %

Overall, revenues of the general fund increased 27.76% during fiscal year 2022. Customer services increased in fiscal year 2022 from the EANS program, which started in fiscal year 2022, and from additional services provided to member districts. Earnings on the Center's investments decreased during fiscal year 2022 as a result of lower interest rates and change in fair value of investments. Intergovernmental revenues are based on the amount of per-pupil foundation revenue received from the state of Ohio through foundation funding.

Expenditures	2022 Amount	2021 Amount	Increase (Decrease)	Percentage Change
Instruction	$ 3,584,930	$ 2,417,383	$ 1,167,547	48.30 %
Support services	9,455,339	7,544,411	1,910,928	25.33 %
Non-instructional services	29,124	24,541	4,583	18.67 %
Facilities acquisition and construction	48,939	766	48,173	6,288.90 %
Debt service	14,345	-	14,345	100.00 %
Total	$ 13,132,677	$ 9,987,101	$ 3,145,576	31.50 %

Instruction expenditures increased 48.30% and support services increased 25.33% from fiscal year 2021 as a result of more services provided to member districts during fiscal year 2022. Services provided to nonpublic schools through the EANS program contributed to an increase in regular instruction, pupil and instructional staff expenditures. The Center's facilities acquisition and construction expenditures paid from the general fund during fiscal year 2022 was for the replacement of the front building façade and the addition of windows. The Center reported debt service expenditures during 2022 for leases payable in accordance with GASB Statement No. 87.

Capital Assets and Debt Administration

Capital Assets

Capital assets were restated at July 1, 2021 to report intangible right to use - leased equipment in accordance with GASB Statement No. 87. At the end of fiscal 2022 the Center had $1,144,945 invested in land, buildings and improvements, furniture, fixtures and equipment, vehicles, and intangible right to use - leased equipment. This entire amount is reported in governmental activities. The table that follows shows the balances of the Center's capital assets at June 30, 2022 compared to June 30, 2021, as restated.

Capital Assets at June 30
(Net of Depreciation/Amortization)

	Governmental Activities	
	2022	(Restated) 2021
Land	$ 227,600	$ 227,600
Building and improvements	633,244	571,075
Furniture, fixtures, and equipment	228,003	156,705
Vehicles	9,420	10,705
Intangible right to use:		
Leased equipment	46,678	61,669
Total	$ 1,144,945	$ 1,027,754

Capital assets were restated due to the implementation of GASB Statement No. 87. The overall increase in capital assets during fiscal year 2022 was from capital outlays of $198,927 exceeding depreciation/amortization expense of $81,736.

See Note 7 to the basic financial statements for additional information on the Center's capital assets.

Debt Administration

At June 30, 2022, the Center had leases payable outstanding of $47,929. There was $14,129 due within one year. See Note 8 to the basic financial statements for additional information on the Center's debt obligations.

Current Financial Related Activities

The Center is financially sound. The Board and administration closely monitors its revenue and expenditures in accordance with Board policy. The Center is committed to servings its client districts and will continue to do so. While many outside factors can affect the economy, the Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

Changes made with HB264 has reduced the state subsidy per pupil amount to the rate of $26 per pupil. This has required the Center to rely, more than ever, on district invoicing for services provided. The categories of revenues and expenses are subject to interpretation and reclassification. Regardless, the bottom line is the same.

Contacting the Center's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Angela Dotson, Treasurer of the Educational Service Center of Lorain County, at 1885 Lake Avenue, Elyria, Ohio 44035 or by calling (440) 324-5777 extension 1125.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 6,414,956
Receivables:	
Accounts	6,394
Accrued interest	3,438
Intergovernmental	732,937
Leases	29,264
Prepayments	16,383
Net OPEB asset	1,025,396
Capital assets:	
Nondepreciable/amortized capital assets	227,600
Depreciable/amortized capital assets, net	917,345
Capital assets, net	1,144,945
Total assets	9,373,713
Deferred outflows of resources:	
Pension	3,441,233
OPEB	303,206
Total deferred outflows of resources	3,744,439
Liabilities:	
Accounts payable	110,222
Accrued wages and benefits payable	1,754,766
Intergovernmental payable	270,873
Accrued interest payable	328
Long-term liabilities:	
Due within one year	183,268
Due in more than one year:	
Net pension liability	7,752,959
Net OPEB liability	809,295
Other amounts due in more than one year	272,104
Total liabilities	11,153,815
Deferred inflows of resources:	
Leases	28,700
Pension	6,309,112
OPEB	1,676,535
Total deferred inflows of resources	8,014,347
Net position:	
Net investment in capital assets	1,097,016
Restricted for:	
Federally funded programs	17,281
Other grants	19,988
Unrestricted (deficit)	(7,184,295)
Total net position	$ (6,050,010)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 1,438,172	$ 1,453,941	$ -	$ 15,769
Special	2,045,376	2,013,716	256,943	225,283
Support services:				
Pupil	3,140,171	3,269,122	182,565	311,516
Instructional staff	5,230,002	3,871,801	1,683,882	325,681
Board of education	18,892	19,412	-	520
Administration	752,497	752,899	41,175	41,577
Fiscal	501,862	415,526	100,607	14,271
Business	168,147	26,316	103,935	(37,896)
Operations and maintenance	536,542	644,499	9,507	117,464
Central	139,410	146,453	-	7,043
Operation of non-instructional services	84,782	28,171	66,281	9,670
Interest and fiscal charges	3,231	-	-	(3,231)
Totals	$ 14,059,084	$ 12,641,856	$ 2,444,895	1,027,667
		General revenues:		
		Grants and entitlements not restricted to specific programs		1,152,142
		Investment earnings		30,883
		Change in fair value of investments		(68,838)
		Miscellaneous		313,671
		Total general revenues		1,427,858
		Change in net position		2,455,525
		Net position (deficit) at beginning of year		(8,505,535)
		Net position (deficit) at end of year		$ (6,050,010)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	$ 6,394,968	$ 19,988	$ 6,414,956
Receivables:			
Accounts	6,394	-	6,394
Accrued interest	3,438	-	3,438
Interfund loans	154,618	-	154,618
Intergovernmental	343,085	389,852	732,937
Leases	29,264	-	29,264
Prepayments	14,445	1,938	16,383
Total assets	$ 6,946,212	$ 411,778	$ 7,357,990
Liabilities:			
Accounts payable	$ 49,258	$ 60,964	$ 110,222
Accrued wages and benefits payable	1,533,721	221,045	1,754,766
Intergovernmental payable	235,586	35,287	270,873
Interfund loans payable	-	154,618	154,618
Total liabilities	1,818,565	471,914	2,290,479
Deferred inflows of resources:			
Unavailable resources	250,005	367,597	617,602
Leases	28,700	-	28,700
Total deferred inflows of resources	278,705	367,597	646,302
Fund balances:			
Nonspendable:			
Prepaids	14,445	1,938	16,383
Restricted:			
Other grants	-	19,988	19,988
Assigned:			
Student instruction	27,135	-	27,135
Student and staff support	46,425	-	46,425
Special education and gifted/talented	158,930	-	158,930
Facilities acquisition and construction	23,800	-	23,800
Unassigned (deficit)	4,578,207	(449,659)	4,128,548
Total fund balances	4,848,942	(427,733)	4,421,209
Total liabilities, deferred inflows and fund balances	$ 6,946,212	$ 411,778	$ 7,357,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total governmental fund balances		$ 4,421,209
Amounts reported for governmental activities on 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.		1,144,945
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Accrued interest receivable	$ 1,541	
Intergovernmental receivable	616,061	
Total		617,602
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(328)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	3,441,233	
Deferred inflows - pension	(6,309,112)	
Net pension liability	(7,752,959)	
Deferred outflows - OPEB	303,206	
Deferred inflows - OPEB	(1,676,535)	
Net OPEB asset	1,025,396	
Net OPEB liability	(809,295)	
Total		(11,778,066)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Leases payable	(47,929)	
Compensated absences	(407,443)	
Total		(455,372)
Net position of governmental activities		$ (6,050,010)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Intergovernmental	$ 1,152,142	$ 2,184,840	$ 3,336,982
Investment earnings	29,342	-	29,342
Tuition and fees	5,733,300	-	5,733,300
Rental income	156,275	-	156,275
Charges for services	6,774,993	-	6,774,993
Contributions and donations	30,097	-	30,097
Miscellaneous	116,131	-	116,131
Change in fair value of investments	(68,838)	-	(68,838)
Total revenues	13,923,442	2,184,840	16,108,282
Expenditures:			
Current:			
Instruction:			
Regular	1,503,112	-	1,503,112
Special	2,081,818	251,024	2,332,842
Support services:			
Pupil	3,379,681	189,475	3,569,156
Instructional staff	4,002,742	1,831,866	5,834,608
Board of education	20,069	-	20,069
Administration	778,361	43,010	821,371
Fiscal	429,579	104,032	533,611
Business	27,206	114,981	142,187
Operations and maintenance	666,295	10,517	676,812
Central	151,406	-	151,406
Operation of non-instructional services	29,124	64,272	93,396
Facilities acquisition and construction	48,939	-	48,939
Debt service:			
Principal retirement	11,890	1,850	13,740
Interest and fiscal charges	2,455	448	2,903
Total expenditures	13,132,677	2,611,475	15,744,152
Net change in fund balances	790,765	(426,635)	364,130
Fund balances (deficit) at beginning of year	4,058,177	(1,098)	4,057,079
Fund balances (deficit) at end of year	$ 4,848,942	$ (427,733)	$ 4,421,209

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		$ 364,130
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital asset additions	$ 198,927	
Current year depreciation/amortization	(81,736)	
Total		117,191
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tuition and charges for services	144,731	
Earnings on investments	1,541	
Intergovernmental	260,055	
Total		406,327
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		13,740
In the statement of activities, interest is accrued on outstanding leases, whereas in governmental funds, an interest expenditure is reported when due.		(328)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,273,779	
OPEB	26,616	
Total		1,300,395
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.		
Pension	116,108	
OPEB	84,577	
Total		200,685
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		53,385
Change in net position of governmental activities		$ 2,455,525

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022

		Custodial
Assets:		
Cash and investments in segregated accounts	$	20,793,146
Receivables:		
Accrued interest		20,192
Total assets		20,813,338
Liabilities:		
Claims payable		4,426,556
Net position:		
Restricted for LERC	$	16,386,782

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Custodial
Additions:	
Amounts received as fiscal agent	$ 43,599,518
Deductions:	
Distributions as fiscal agent	45,757,253
Change in net position	(2,157,735)
Net position at beginning of year	18,544,517
Net position at end of year	$ 16,386,782

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

On June 13, 1914, the Educational Service Center of Lorain County (the Center) was formed. The Center supplies supervisory, administrative, fiscal, and other needed services to school districts and other agencies in the greater Lorain County area.

The Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Center's facility and staff who provide services to 38,647 students in local, city and exempted village school districts in Lorain County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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 Center's significant accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, 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 for the Center. For the Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Center.

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 if the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt or the levying of taxes. The Center has no component units.

The Center is associated with certain organizations which are defined as jointly governed organizations and public entity risk pools. These organizations are Connect, Lake Erie Regional Council of Governments, and Schools of Ohio Risk Sharing Authority.

JOINTLY GOVERNED ORGANIZATIONS

<u>Connect</u>
The North Coast Council became known as Connect effective April 1, 2016. The new governing Board of Directors, the Educational Service Centers of Cuyahoga, Lorain and Medina County and the Ohio Schools Council, have accepted the ownership, responsibility and liability of Connect in order to provide exemplary service to member Centers. The Superintendent/Executive Director of the three Educational Service Centers and Ohio Schools Council shall serve on Connect's Board of Directors. The purpose of Connect is applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Fiscal information for Connect is available from the Treasurer of the Center of Cuyahoga County (fiscal agent), located at 6393 Oak Tree Boulevard, Independence, Ohio 44131. In fiscal year 2022, the Center paid $28,891 to Connect.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

Lake Erie Regional Council (LERC)
The LERC is a jointly governed organization comprised of ten school districts. The jointly governed organization currently exist for the purpose of health insurance for its participating districts and the Center. Payments are made monthly for premiums by the ten member districts as established and approved by the Board of Directors. LERC is governed by a Board of Directors which consists of a superintendent, treasurer or designated representative from each participating school district and the Center. The degree of control exercised by any participating school district and the Center is limited to its representation on the Board. The Center serves as fiscal agent for the LERC. Financial information can be obtained by contacting the Treasurer at the Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio.

PUBLIC ENTITY RISK POOL

Schools of Ohio Risk Sharing Authority (SORSA)
The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. A nine person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. The Center works with UIS Insurance and Investments, a local agent, as a liaison between SORSA and the Center. SORSA employs an Executive Director, Program Manager, Risk Control Manager, and Claims Manager. Claims are handled in-house by Claims Manager, Greg Gilliam. Additional information can be obtained from SORSA at 555 Metro Place North, Suite 645, Dublin, Ohio 43017 or by calling 866-767-7299.

B. Fund Accounting

The Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Center are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

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

The following is the Center's major governmental fund:

General Fund - The General Fund is the general operating fund of the Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

FIDUCIARY FUND TYPE

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Center's custodial fund accounts for the LERC activities.

C. Basis of Presentation and Measurement Focus

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 the governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self- financing or draws from the general revenues of the Center.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Center are included on the statement of net position.

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 report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The fiduciary fund is reported by fund type.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

Fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of net fiduciary position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions and deductions from the custodial fund. In the fiduciary fund, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

D. 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. Governmental funds use the modified accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenues 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 fiscal year in which 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.

Under the modified accrual basis, interest, tuition, customer services, charges for services, grants, student fees, and rental income are considered to be both measurable and available at fiscal year-end.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Center, See Notes 11 and 12 for deferred outflows of resources related the Center’s net pension liability and net OPEB liability/asset, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center unavailable revenue includes, but is not limited to delinquent tuition, customer services, rental income, miscellaneous revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease. For the Center, See Notes 11 and 12 for deferred inflows of resources related to the Center's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenditures/Expenses - On the accrual basis of accounting, expenses are recognized in the period during which they are incurred.

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

E. Budgetary Process

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 is discretionary, the Center's Board does approve appropriations and estimated resources for all funds for control purposes. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the Board at the object level for the general fund and the fund level for all other 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 Center has elected to not present budgetary schedules as supplementary information for the General Fund.

F. Cash and Investments

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet and statement of net position.

The Center is the fiscal agent for LERC. The Center has segregated LERC's funds into separate bank accounts for individual investment accounts held separate from the Center's pooled monies. These interest-bearing depository accounts are presented on the statement of fiduciary net position - fiduciary fund as "Cash and Investments in Segregated Accounts" since they are not required to be deposited into the Center's treasury.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

During fiscal year 2022, investments of the Center and LERC were limited to Federal Home Loan Mortgage Corporation securities (FHLMC), Federal Farm Credit Bank securities (FFCB), Federal Home Loan Bank securities (FHLB), Federal National Mortgage Association securities (FNMA), municipal bonds, U.S. treasury notes, negotiable certificates of deposit (negotiable CDs), commercial paper, and U.S. government money markets, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does adopt Government Accounting Standards Board (GASB) Statement 79, "*Certain External Investment Pools and Pool Participants*." The Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $ 250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $ 250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2022, the General Fund received $29,342 in interest income of which $563 was assigned from other funds.

G. Capital Assets

The Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Center's capitalization threshold is $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 capitalized.

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	5-30 years
Furniture, fixtures and equipment	5-10 years
Vehicles	5 years
Intangible right to use - leased equipment	5 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

The Center is reporting intangible right to use assets related to leased equipment. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

H. Interfund Balances

On fund financial statements, receivables and payables resulting from cash deficits are classified as "interfund loans receivable/payable". These interfund balances between governmental funds are eliminated in the governmental type activities columns of the statement of net position.

I. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable in the fund financial statements by an amount equal to the carrying value of the assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Compensated Absences Payable" in the funds from which the employees will be paid.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources; however, claims and judgments, leases, net pension liability and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

L. 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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 Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing 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. The Center has no committed fund balances.

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 the Governing Board.

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation/amortization reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - (Continued)

N. 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.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. The Center made no transfers during fiscal year 2022.

P. Pensions/Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension/OPEB (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and net 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.

Q. Fair Value

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2022.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Center's fiscal year 2022 financial statements. The Center recognized $53,124 in governmental activities in leases receivable at July 1, 2021, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases. The Center also recognized $61,669 in governmental activities in leases payable at July 1, 2021; however, this entire amount was offset by the intangible asset, right to use lease - equipment.

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

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

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2022 included the following individual fund deficits:

Nonmajor Funds:	Deficit
Public School Preschool	$ 18,431
Miscellaneous state grants	27,091
Elementary and Secondary School Emergency Relief (ESSER)	21,895
Governor's Emergency Education Relief (GEER)	138,189
IDEA, Part B	152,955
Title III, Limited English Proficiency	7,549
Title I, Disadvantaged Children	63,970
IDEA Preschool Grant for the Handicapped	17,641

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Category 1 consists of "active" moneys, those moneys are required to be kept in a cash" or "near-cash" status for immediate use by the Center. Such moneys must be maintained either as cash in the Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts (including passbook accounts).

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations 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 obligations or securities 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 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, bond and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio; (STAR Ohio).

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days and 270 days, respectively, in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

At fiscal year end, the carrying amount of the Center's deposits, including cash and investments in segregated accounts of $2,741,161 for LERC, was $7,264,629 and the bank balance was $7,764,928. Of the bank balance, $500,000 was covered by federal depository insurance, $3,632,464 was covered by the Ohio Pooled Collateral System (OPCS), and $3,632,464 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Center has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Center and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the Center's financial institution was approved for a reduced collateral rate percent of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

B. Investments

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

		Investment Maturity				
Investment type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLMC	$ 262,835	$ -	$ -	$ 216,772	$ -	$ 46,063
FFCB	1,101,505	-		29,045	694,133	378,327
FHLB	615,600	-	-	-	114,376	501,224
FNMA	230,883	-	-	-	-	230,883
Municipal bonds	299,179	176,442	-	-	-	122,737
U.S. Treasury notes	597,708	-	357,189	96,425	-	144,094
Negotiable CDs	7,832,786	595,724	1,838,590	837,975	1,063,396	3,497,101
Commercial paper	1,896,786	1,653,111	243,675	-	-	-
US Government money market	22,207	22,207	-	-	-	-
Amortized cost:						
STAR Ohio	7,083,984	7,083,984	-	-	-	-
Total	$ 19,943,473	$ 9,531,468	$ 2,439,454	$ 1,180,217	$ 1,871,905	$ 4,920,429

Of the $19,943,473 in investments outstanding at June 30, 2022, $18,051,985 is reported in "Cash and Investments in Segregated Accounts" in the LERC custodial fund.

The weighted average maturity of investments is 0.79 years.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The Center's investments in U.S. Government money markets are valued using quoted market prices in active markets (Level 1 inputs). The Center's investments in federal agency securities (FHLB, FHLMC, FFCB, and FNMA), municipal bonds, U.S. Treasury notes, negotiable CDs and commercial paper are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk - As a means of limiting its exposure to fair value losses from rising interest rates and according to state law, the Center's investment policy limits investment maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The investments in FHLB, FHLMC, FFCB, FNMA and U.S. Treasury notes carry ratings of Aaa by Moodys and AA+/AAA by Standard & Poor's. The commercial paper was rated P-1 by Moodys and A-1+/A-1 by Standard & Poor's. The municipal bonds were rated Aa2/Aa3 by Moody's and AA by Standard and Poor's. The U.S. government money market was rated AAAm by Standard and Poor's. The negotiable CDs were not rated. The negotiable CDs are covered by FDIC. The Center's investment policy does not specifically address credit risk beyond requiring the Center to only invest in securities authorized by State Statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Center's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk - The Center's places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the Center at June 30, 2022:

Measurement/Investment Type	Value	% to total
Fair value:		
FHLMC	$ 262,835	1.32%
FFCB	1,101,505	5.52%
FHLB	615,600	3.09%
FNMA	230,883	1.16%
Municipal bonds	299,179	1.50%
U.S. Treasury notes	597,708	3.00%
Negotiable CDs	7,832,786	39.27%
Commercial paper	1,896,786	9.51%
US Government money market	22,207	0.11%
Amortized cost:		
STAR Ohio	7,083,984	35.52%
Total	$ 19,943,473	100.00%

NOTE 5 - INTERFUND ACTIVITIES

Interfund balances at June 30, 2022, as reported on the fund financial statements, consist of the following interfund loans receivable/payable:

Receivable Fund	Payable Funds	Amount
General Fund	Nonmajor Funds:	
	Miscellaneous State Grants	$ 5,122
	ESSER	3,886
	GEER	72,410
	IDEA, Part B	31,015
	Title III, Limited English Proficiency	2,026
	Title I, Disadvantaged Children	14,991
	IDEA Preschool Grant for the Handicapped	2,913
	Improving Teacher Quality	22,255
Total Interfund Loans		$ 154,618

The primary purpose of the interfund loans receivable/payable is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received.

NOTE 6 - RECEIVABLES

A. Receivables at June 30, 2022 consisted of accounts (billings for user charged services and contract services), accrued interest, intergovernmental (grants and entitlements and amounts due from other governments for contract services), and leases. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:	
Accounts	$ 6,394
Accrued interest	3,438
Intergovernmental	
Contract services	343,085
Public school preschool	1,772
Miscellaneous state	1,426
IDEA, Part B	117,335
Title III, limited english proficiency	24,830
Title I, Disadvantaged children	62,150
Improving teacher quality	22,255
ESSER	21,895
GEER	138,189
Total intergovernmental	$ 732,937

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 6 - RECEIVABLES - (Continued)

B. Leases Receivable

The Center is reporting leases receivable of $29,264 in the general fund. For fiscal year 2022, the Center recognized lease revenue of $24,424, which is reported in rental income, and interest revenue of $2,390.

The Center has entered into lease agreements for building space rental with the following agencies at varying years and terms as follows:

Agency	Lease Commencement Date (fiscal year)	Years	Lease End Date (fiscal year)	Payment Method
Connect	2018	5	2023	Monthly
Department of Administrative Services	2021	4	2025	Quarterly

Lease payments will be paid into the General Fund. The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2023	$ 19,629	$ 1,131	$ 20,760
2024	4,673	477	5,150
2025	4,962	188	5,150
Total	$ 29,264	$ 1,796	$ 31,060

THIS PAGE IS INTENTIONALLY LEFT BLANK

NOTE 7 - CAPITAL ASSETS

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the Center has reported capital assets for the right to use leased equipment ($61,669) at July 1, 2021, which is reflected in the schedule below. Capital asset activity for governmental activities for the fiscal year ended June 30, 2022, was as follows:

	(Restated) Balance 07/01/2021	Additions	Deductions	Balance 6/30/22
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 227,600	$ -	$ -	$ 227,600
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,162,029	95,143	-	1,257,172
Furniture, fixtures, and equipment	529,357	103,784	-	633,141
Vehicles	14,418	-	-	14,418
Intangible right to use:				
Leased equipment	61,669	-	-	61,669
Total capital assets, being depreciated/amortized	1,767,473	198,927	-	1,966,400
Less: accumulated depreciation/amortization				
Buildings and improvements	(590,954)	(32,974)	-	(623,928)
Furniture, fixtures, and equipment	(372,652)	(32,486)	-	(405,138)
Vehicles	(3,713)	(1,285)	-	(4,998)
Intangible right to use:				
Leased equipment	-	(14,991)	-	(14,991)
Total accumulated depreciation/amortization	(967,319)	(81,736)	-	(1,049,055)
Governmental activities capital assets, net	$ 1,027,754	$ 117,191	$ -	$ 1,144,945

Depreciation/amortization expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,755
Special	1,746
Support services:	
Pupil	3,083
Instructional staff	17,987
Administration	3,233
Fiscal	239
Business	25,960
Operations and maintenance	27,656
Central	77
Total depreciation expense	$ 81,736

NOTE 8 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the Center has reported obligations for leases payable ($61,669) at July 1, 2021, which are reflected in the schedule below. The Center's long-term obligations activity during fiscal year 2022 consisted of the following.

	(Restated) Balance 07/01/2021	Additions	Reductions	Balance 06/30/22	Amounts Due in One Year
Governmental activities:					
Leases payable	$ 61,669	$ -	$ (13,740)	$ 47,929	$ 14,129
Compensated absences payable	482,150	169,139	(243,846)	407,443	169,139
Net pension liability:					
STRS	11,580,173	-	(5,361,953)	6,218,220	-
SERS	2,770,276	-	(1,235,537)	1,534,739	-
Total net pension liability	14,350,449	-	(6,597,490)	7,752,959	-
Net OPEB liability:					
SERS	933,361	-	(124,066)	809,295	-
Total long-term obligations	$ 15,827,629	$ 169,139	$ (6,979,142)	$ 9,017,626	$ 183,268

Lease Payable
The Center has entered into lease agreements for the right to use copiers. In accordance with GASB Statement No. 87, the Center has reported an intangible capital asset and corresponding liability for the future scheduled payments under the lease agreements. Lease payments are reflected as debt service expenditures on the fund financial statements.

The Center entered into a lease for copier equipment for a term of 60 months on November 30, 2020, and payments commenced in January 2021. Payments are due monthly and the lease matures in December 2025. The lease is being paid out of the General Fund and the IDEA, Part B nonmajor special revenue fund.

The Center entered into a lease for a postage meter for a term of 60 months on September 18, 2019, and payments commenced in October 2019. Payments are due quarterly and the lease matures in July 2024. The lease is being paid out of the General Fund.

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

Fiscal Year	Lease Payable Principal	Interest	Total
2023	$ 14,129	$ 2,512	$ 16,641
2024	15,001	1,641	16,642
2025	12,702	764	13,466
2026	6,097	107	6,204
Total	$ 47,929	$ 5,024	$ 52,953

Compensated Absences - Compensated absences will be paid from the fund from which the employee is paid, which for the Center, is primarily the general fund.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability - The Center's net pension liability is described in Note 11. The Center pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability - The Center's net OPEB liability is described in Note 12. The Center pays obligations related to employee compensation from the fund benefitting from their service.

NOTE 9 - RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the Center contracted for the following insurance coverage.

Coverage provided through the Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

	Coverage
Property including inland marine - replacement cost (deductible waived)	$ 10,147,621
Employee dishonesty liability	1,000,000
Automobile liability	15,000,000
Uninsured motorists	1,000,000
Medical payments - per occurrence/aggregate	$10,000/$25,000
Educator's legal liability - total per year	15,000,000
General district liability	
Per occurrence	15,000,000
Total per year	17,000,000

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

B. Employee Medical, Dental, Vision and Prescription

The Center has contracted with the LERC to provide employee medical, dental, vision and prescription benefits. LERC is a fully insured consortium. The Center provides medical, dental, vision and prescription benefits to most employees. The premium and coverages vary with employee depending on marital status.

C. Workers' Compensation

For fiscal year 2022, the Center participated in the Sheakley Workers' Compensation Group Rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The members apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the Center pays an enrollment fee to the program to cover the costs of administration.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to 30 days of vacation per year, depending upon length of service. Accumulated unused vacation (to a maximum of 40 days) is paid to employees upon termination of employment. Not all employees earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement in the State Teacher's Retirement System or the School Employees Retirement System, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 120 days, and one-third of accumulated sick leave beyond 120 days, to a maximum accumulation of 210 days. Maximum payment may not exceed 60 days.

B. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust in an amount equal to one half times the employee's salary rounded to the nearest $500.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability/asset and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component of exchange transactions–between an employer and its employees - of salaries and benefits for employee services. Pensions/OPEB are provided to an employee–on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The Ohio Revised Code limits the 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The Center's contractually required contribution to SERS was $205,318 for fiscal year 2022. Of this amount, $25,674 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Center's contractually required contribution to STRS was $1,068,461 for fiscal year 2022. Of this amount, $190,013 is reported as intergovernmental payable.

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

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

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.041884%	0.047859%	
Proportion of the net pension liability current measurement date	0.041595%	0.048633%	
Change in proportionate share	-0.000289%	0.000774%	
Proportionate share of the net pension liability	$ 1,534,739	$ 6,218,220	$ 7,752,959
Pension expense	$ (95,842)	$ (20,266)	$ (116,108)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 148	$ 192,113	$ 192,261
Changes of assumptions	32,317	1,725,046	1,757,363
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	217,830	217,830
Contributions subsequent to the measurement date	205,318	1,068,461	1,273,779
Total deferred outflows of resources	$ 237,783	$ 3,203,450	$ 3,441,233

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 39,802	$ 38,976	$ 78,778
Net difference between projected and actual earnings on pension plan investments	790,435	5,358,916	6,149,351
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	48,315	32,668	80,983
Total deferred inflows of resources	$ 878,552	$ 5,430,560	$ 6,309,112

$1,273,779 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 fiscal year ending June 30, 2023.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	$ (236,826)	$ (803,703)	$ (1,040,529)
2024	(178,708)	(678,434)	(857,142)
2025	(187,939)	(781,373)	(969,312)
2026	(242,614)	(1,032,061)	(1,274,675)
Total	$ (846,087)	$ (3,295,571)	$ (4,141,658)

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.50%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.50% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.50%
Actuarial cost method	Entry age normal (level percent of payroll)

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net pension liability	$ 2,553,428	$ 1,534,739	$ 675,633

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.45%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net pension liability	$ 11,644,399	$ 6,218,220	$ 1,633,111

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Center's surcharge obligation was $26,616.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was $26,616 for fiscal year 2022, and is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, 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, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.042946%	0.047859%	
Proportion of the net OPEB liability/asset current measurement date	0.042761%	0.048633%	
Change in proportionate share	-0.000185%	0.000774%	
Proportionate share of the net OPEB liability	$ 809,295	$ -	$ 809,295
Proportionate share of the net OPEB asset	$ -	$ (1,025,396)	$ (1,025,396)
OPEB expense	$ (7,834)	$ (76,743)	$ (84,577)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 8,628	$ 36,511	$ 45,139
Changes of assumptions	126,959	65,497	192,456
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	28,515	10,480	38,995
Contributions subsequent to the measurement date	26,616	-	26,616
Total deferred outflows of resources	$ 190,718	$ 112,488	$ 303,206

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 403,065	$ 187,871	$ 590,936
Net difference between projected and actual earnings on OPEB plan investments	17,583	284,221	301,804
Changes of assumptions	110,824	611,727	722,551
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	45,595	15,649	61,244
Total deferred inflows of resources	$ 577,067	$ 1,099,468	$ 1,676,535

$26,616 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/asset in the fiscal year ending June 30, 2023.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	$ (90,581)	$ (285,202)	$ (375,783)
2024	(90,705)	(278,091)	(368,796)
2025	(92,375)	(266,036)	(358,411)
2026	(82,610)	(118,274)	(200,884)
2027	(43,811)	(40,374)	(84,185)
Thereafter	(12,883)	997	(11,886)
Total	$ (412,965)	$ (986,980)	$ (1,399,945)

Actuarial Assumptions - SERS

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

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

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

THIS SPACE IS INTENTIONALLY LEFT BLANK

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	1.92%
Prior measurement date	2.45%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	2.27%
Prior measurement date	2.63%
Medical trend assumption:	
Current measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Sensitivity of the Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net OPEB liability	$ 1,002,814	$ 809,295	$ 654,698

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	$ 623,090	$ 809,295	$ 1,058,006

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

	June 30, 2021		June 30, 2020	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.00%	4.00%
Medicare	-16.18%	4.00%	-6.69%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	6.50%	4.00%
Medicare	29.98%	4.00%	11.87%	4.00%

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net OPEB asset	$ 865,276	$ 1,025,396	$ 1,159,152

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB asset	$ 1,153,733	$ 1,025,396	$ 866,696

NOTE 13 - STATE FUNDING

The Center receives about 11% of its funding from the Ohio Department of Education. The state provides a subsidy in a per pupil amount at the rate of $26 per pupil. In addition, the Center receives $6.50 per pupil as a local deduction from districts aligned with the Center.

NOTE 14 - OTHER COMMITMENTS

The Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Center's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General	$ 100,231
Nonmajor special revenue	121,233
Total	$ 221,464

NOTE 15 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2022.

B. Litigation

The Center is not a part of or involved in any legal proceedings at this time.

NOTE 16 - COVID-19

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

The Center's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS

	2022	**2021**	**2020**	**2019**
Center's proportion of the net pension liability	0.041595%	0.041884%	0.043989%	0.043329%
Center's proportionate share of the net pension liability	$ 1,534,739	$ 2,770,276	$ 2,631,963	$ 2,481,544
Center's covered payroll	$ 1,373,486	$ 1,351,429	$ 1,497,578	$ 1,524,200
Center's proportionate share of the net pension liability as a percentage of its covered payroll	111.74%	204.99%	175.75%	162.81%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.042417%	0.041638%	0.047605%	0.048716%	0.048716%
$ 2,534,298	$ 3,047,481	$ 2,716,370	$ 2,465,489	$ 2,896,984
$ 1,335,907	$ 1,522,064	$ 1,427,668	$ 1,423,853	$ 1,483,302
189.71%	200.22%	190.27%	173.16%	195.31%
69.50%	62.98%	69.16%	71.70%	65.52%

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST NINE FISCAL YEARS

	2022	2021	2020	2019
Center's proportion of the net pension liability	0.048633%	0.047859%	0.048146%	0.047138%
Center's proportionate share of the net pension liability	$ 6,218,220	$ 11,580,173	$ 10,647,247	$ 10,364,515
Center's covered payroll	$ 6,136,093	$ 5,721,714	$ 5,728,314	$ 5,424,886
Center's proportionate share of the net pension liability as a percentage of its covered payroll	101.34%	202.39%	185.87%	191.05%
Plan fiduciary net position as a percentage of the total pension liability	87.78%	75.48%	77.40%	77.31%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.046789%	0.047791%	0.051327%	0.050056%	0.050056%
$ 11,114,768	$ 15,997,108	$ 14,185,268	$ 12,175,332	$ 14,503,176
$ 5,240,064	$ 5,310,278	$ 5,405,349	$ 5,148,008	$ 5,240,139
212.11%	301.25%	262.43%	236.51%	276.77%
75.30%	66.80%	72.10%	74.70%	69.30%

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CENTER PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2022	**2021**	**2020**	**2019**
Contractually required contribution	$ 205,318	$ 192,288	$ 189,200	$ 202,173
Contributions in relation to the contractually required contribution	(205,318)	(192,288)	(189,200)	(202,173)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 1,466,557	$ 1,373,486	$ 1,351,429	$ 1,497,578
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014	2013
$ 205,767	$ 187,027	$ 213,089	$ 188,167	$ 197,346	$ 205,289
(205,767)	(187,027)	(213,089)	(188,167)	(197,346)	(205,289)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,524,200	$ 1,335,907	$ 1,522,064	$ 1,427,668	$ 1,423,853	$ 1,483,302
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CENTER PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2022	2021	2020	2019
Contractually required contribution	$ 1,068,461	$ 859,053	$ 801,040	$ 801,964
Contributions in relation to the contractually required contribution	(1,068,461)	(859,053)	(801,040)	(801,964)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 7,631,864	$ 6,136,093	$ 5,721,714	$ 5,728,314
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018		2017		2016		2015		2014		2013	
$	759,484	$	733,609	$	743,439	$	756,749	$	669,241	$	681,218
	(759,484)		(733,609)		(743,439)		(756,749)		(669,241)		(681,218)
$	-	$	-	$	-	$	-	$	-	$	-
$	5,424,886	$	5,240,064	$	5,310,278	$	5,405,349	$	5,148,008	$	5,240,139
	14.00%		14.00%		14.00%		14.00%		13.00%		13.00%

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	2022	2021	2020	2019	2018	2017
Center's proportion of the net OPEB liability	0.042761%	0.042946%	0.044896%	0.043949%	0.043127%	0.042243%
Center's proportionate share of the net OPEB liability	$ 809,295	$ 933,361	$ 1,129,027	$ 1,219,272	$ 1,157,413	$ 1,204,090
Center's covered payroll	$ 1,373,486	$ 1,351,429	$ 1,497,578	$ 1,524,200	$ 1,335,907	$ 1,522,064
Center's proportionate share of the net OPEB liability as a percentage of its covered payroll	58.92%	69.06%	75.39%	79.99%	86.64%	79.11%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS

	2022	2021	2020	2019	2018	2017
Center's proportion of the net OPEB liability/asset	0.04863342%	0.47859000%	0.48146000%	0.04713800%	0.04678900%	0.04779100%
Center's proportionate share of the net OPEB liability/(asset)	$ (1,025,396)	$ (841,121)	$ (797,417)	$ (757,454)	$ 1,825,524	$ 2,555,878
Center's covered payroll	$ 6,136,093	$ 5,721,714	$ 5,728,314	$ 5,424,886	$ 5,240,064	$ 5,310,278
Center's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	16.71%	14.70%	13.92%	13.96%	34.84%	48.13%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.73%	182.10%	174.40%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CENTER OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2022	2021	2020	2019
Contractually required contribution	$ 26,616	$ 26,877	$ 25,147	$ 33,949
Contributions in relation to the contractually required contribution	(26,616)	(26,877)	(25,147)	(33,949)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 1,466,557	$ 1,373,486	$ 1,351,429	$ 1,497,578
Contributions as a percentage of covered payroll	1.81%	1.96%	1.86%	2.27%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014	2013
$ 24,741	$ 23,893	$ 21,581	$ 36,097	$ 26,825	$ 26,853
(24,741)	(23,893)	(21,581)	(36,097)	(26,825)	(26,853)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,524,200	$ 1,335,907	$ 1,522,064	$ 1,427,668	$ 1,423,853	$ 1,483,302
1.62%	1.79%	1.42%	2.53%	1.88%	1.81%

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CENTER OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2022	2021	2020	2019
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Center's covered payroll	$ 7,631,864	$ 6,136,093	$ 5,721,714	$ 5,728,314
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014	2013
$ -	$ -	$ -	$ -	$ 51,480	$ 52,401
-	-	-	-	(51,480)	(52,401)
$ -	$ -	$ -	$ -	$ -	$ -
$ 5,424,886	$ 5,240,064	$ 5,310,278	$ 5,405,349	$ 5,148,008	$ 5,240,139
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) 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, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) 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, (f) 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, (g) 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% 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, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	TOTAL FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Ohio Department of Education			
Educational Service Center of Lorain County			
Title I Grants to Local Educational Agencies - Delinquent	84.010A	84.010A, 2021	18,583
Title I Grants to Local Educational Agencies - Delinquent	84.010A	84.010A, 2022	124,704
Region 2 State Support Team			
Title I Grants to Local Educational Agencies - Priority School Supports	84.010A	84.010A, 2021	1,281
Title I Grants to Local Educational Agencies - Priority School Supports	84.010A	84.010A, 2022	37,497
Total Title I Grants to Local Educational Agencies			182,065
Special Education Cluster (IDEA)			
Educational Service Center of Lorain County			
Special Education-Grants to States (IDEA, Part B) - Parent Mentor Project Supplemental	84.027A	84.027A, 2021	465
Region 2 State Support Team			
Special Education-Grants to States (IDEA, Part B) - Early Literacy SSIP	84.027A	84.027A, 2021	4,241
Special Education-Grants to States (IDEA, Part B) - Early Literacy SSIP	84.027A	84.027A, 2022	100,319
Special Education-Grants to States (IDEA, Part B) - Individuals with Disabilities Education Act	84.027A	84.027A, 2021	77,812
Special Education-Grants to States (IDEA, Part B) - Individuals with Disabilities Education Act	84.027A	84.027A, 2022	974,548
Total Special Education-Grants to States (IDEA, Part B)			1,157,385
Educational Service Center of Lorain County			
Special Education-Preschool Grants (IDEA Preschool)	84.173A	84.173A, 2021	1,631
Special Education-Preschool Grants (IDEA Preschool)	84.173A	84.173A, 2022	58,999
Region 2 State Support Team			
Special Education-Preschool Grants (IDEA Preschool) - Early Learning SSIP (ELSR)	84.173A	84.173A, 2021	1,722
Special Education-Preschool Grants (IDEA Preschool) - Early Learning SSIP (ELSR)	84.173A	84.173A, 2022	27,750
Special Education-Preschool Grants (IDEA Preschool) - Early Learning - Discretionary	84.173A	84.173A, 2021	3,029
Special Education-Preschool Grants (IDEA Preschool) - Early Learning - Discretionary	84.173A	84.173A, 2022	81,692
Total Special Education-Preschool Grants (IDEA Preschool)			174,823
Total Special Education Cluster (IDEA)			1,332,208
Educational Service Center of Lorain County			
English Language Acquisition State Grants - Title III - Language Instruction for English Learners	84.365A	84.365A, 2021	5,124
English Language Acquisition State Grants - Title III - Language Instruction for English Learners	84.365A	84.365A, 2022	10,397
Total English Language Acquisition State Grants			15,521
Educational Service Center of Lorain County			
Supporting Effective Instruction State Grants - OTES 2.0/OPES 2.0 Bridge Trainings	84.367A	84.367A, 2022	22,255
Educational Service Center of Lorain County			
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	84.425C	COVID-19, 84.425C, 2021	42,672
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	84.425C	COVID-19, 84.425C, 2022	262,992
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	COVID-19, 84.425U, 2023	5,082
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund - Face Masks for Schools	84.425D	COVID-19, 84.425D, 2021	3,797
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund - ESC Family Engagement Liaisons	84.425D	COVID-19, 84.425D, 2021	88,200
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund - Extended Learning and Recovery	84.425D	COVID-19, 84.425D, 2022	153,683
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund - Homeless Round II	84.425W	COVID-19, 84.425W, 2022	632
Total Education Stabilization Fund (ESF)			557,058
Total U.S. Department of Education			2,109,107
Total Federal Expenditures			$ 2,109,107

The accompanying notes are an integral part of this schedule.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

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

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

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Educational Service Center of Lorain County under programs of the federal government for the fiscal year ended June 30, 2022 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Educational Service Center of Lorain County, it is not intended to and does not present the financial position or changes in net position of the Educational Service Center of Lorain County. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

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

NOTE 3 – FEDERAL AWARDS ADMINISTERED FOR OTHER GOVERNMENTS

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

	Award Amount	
Member District	**Title I Grants to Local Educational Agencies - Delinquent ALN - 84.010A**	**Special Education-Preschool Grants (IDEA, Preschool) ALN - 84.173A**
Avon Local School District	$ -	$ 32,772
Clearview Local School District	-	3,286
Firelands Local School District	-	7,853
Keystone Local School District	176,616	5,041
Wellington Exempted Village School District	-	10,047
Total	**$ 176,616**	**$ 58,999**

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

NOTE 4 – ADMINISTRATIVE AGENT

The Educational Service Center of Lorain County is the Administrative Fiscal Agent for the Educational Service Center of Lorain County Title III Consortia. During fiscal year 2022, the Educational Service Center of Lorain County expended $15,521, related to the English Language Acquisition State Grants (ALN - 84.365A) reallocated from member districts. The Educational Service Center of Lorain County reports this grant on their Schedule of Expenditures of Federal Awards, and is subject to audit during the Educational Service Center of Lorain County's annual audit according to the Uniform Guidance. Awards that are reported by the Educational Service Center of Lorain County, which are spent on behalf of and benefit member districts, are as follows:

	Award Amount	
Member District	**Title III - English Language Acquisition State Grants ALN - 84.365A**	
Amherst Exempted Village School District	$	3,575
Avon Lake City School District		5,789
Clearview Local School District		7,321
Edison Local School District		2,043
Huron City School District		341
Midview Local School District		1,532
North Ridgeville City School District		4,938
Oberlin City School District		2,724
Perkins Local School District		1,873
Sheffield-Sheffield Lake City School District		7,662
Wellington Exempted Village School District		170
Total	**$**	**37,968**

Julian & Grube

333 County Line Road, West
Westerville, OH 43082
614-846-1899

jginc.biz

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

Educational Service Center of Lorain County
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Members of the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Lorain County, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Educational Service Center of Lorain County's basic financial statements, and have issued our report thereon dated December 27, 2022, wherein we noted as described in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 27, 2022

Julian & Grube

333 County Line Road, West
Westerville, OH 43082
614-846-1899

jginc.biz

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

Educational Service Center of Lorain County
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

To the Members of the Governing Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Educational Service Center of Lorain County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Educational Service Center of Lorain County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Educational Service Center of Lorain County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 27, 2022

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY, OHIO

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	*Type of Financial Statement Opinion*	Unmodified
*(d)(1)(*ii)	*Were there any material control weaknesses reported at the financial statement level (GAGAS)?*	No
(d)(1)(ii)	*Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?*	No
(d)(1)(iii)	*Was there any reported material noncompliance at the financial statement level (GAGAS)?*	No
(d)(1)(iv)	*Were there any material internal control weaknesses reported for major federal programs?*	No
(d)(1)(iv)	*Were there any significant deficiencies in internal control reported for major federal programs?*	No
(d)(1)(v)	*Type of Major Program's Compliance Opinion*	Unmodified
(d)(1)(vi)	*Are there any reportable findings under 2 CFR §200.516(a)?*	No
(d)(1)(vii)	*Major Program (listed):*	Special Education Cluster (IDEA)
(d)(1)(viii)	*Dollar Threshold: Type A/B Programs*	Type A: > $750,000 Type B: all others
(d)(1)(ix)	*Low Risk Auditee under 2 CFR § 200.520?*	Yes

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE
KEITH FABER

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

LORAIN 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 2/21/2023