HANCOCK COUNTY EDUCATIONAL SERVICE CENTER
HANCOCK COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022-2021

OHIO AUDITOR OF STATE
KEITH FABER

HANCOCK COUNTY EDUCATIONAL SERVICE CENTER
HANCOCK COUNTY
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

TITLE **PAGE**

TABLE OF CONTENTS
(Continued)

HANCOCK COUNTY EDUCATIONAL SERVICE CENTER
HANCOCK COUNTY
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS
(Continued)

TITLE **PAGE**

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OHIO AUDITOR OF STATE
KEITH FABER

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

INDEPENDENT AUDITOR'S REPORT

Hancock County Educational Service Center
Hancock County
7746 County Road 140, Suite A
Findlay, Ohio 45840-1978

To the Governing Board:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

April 27, 2023

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The discussion and analysis of Hancock County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Highlights for fiscal year 2022 are as follows:

Net position increased $867,701, or approximately 10 percent.

Program specific revenues, in the form of charges for services and operating grants, accounted for $8,110,120, or 99 percent of total revenues.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Hancock County Educational Service Center as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for spending in the near future. The fund financial statements also look at the Educational Service Center's most significant funds, with all other nonmajor funds presented in total in a single column. For Hancock County Educational Service Center, the General Fund is the most significant fund.

Reporting the Educational Service Center as a Whole

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2022. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Educational Service Center's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Educational Service Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the Educational Service Center's activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's only major fund is the General Fund.

Governmental Funds - All of the Educational Service Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual 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 Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Educational Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Educational Service Center's programs. These funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2022 and fiscal year 2021.

Table 1
Net Position

	Governmental Activities		
	2022	Restated 2021	Change
Assets			
Current and Other Assets	$2,099,246	$2,038,391	$60,855
Net OPEB Asset	630,662	528,529	102,133
Capital Assets, Net	65,577	79,747	(14,170)
Total Assets	2,795,485	2,646,667	148,818
Deferred Outflows of Resources			
Pension	2,138,687	1,857,100	281,587
OPEB	349,960	350,318	(358)
Total Deferred Outflows of Resources	2,488,647	2,207,418	281,229

(continued)

Table 1
Net Position
(continued)

	Governmental Activities		
	2022	Restated 2021	Change
Liabilities			
Current and Other Liabilities	$978,506	$918,118	($60,388)
Long-Term Liabilities			
Pension	5,500,261	10,140,411	4,640,150
OPEB	881,730	957,848	76,118
Other Amounts	410,995	394,542	(16,453)
Total Liabilities	7,771,492	12,410,919	4,639,427
Deferred Inflows of Resources			
Pension	4,417,866	322,013	(4,095,853)
OPEB	1,321,397	1,215,477	(105,920)
Total Deferred Inflows of Resources	5,739,263	1,537,490	(4,201,773)
Net Position			
Net Investment in Capital Assets	17,773	22,091	(4,318)
Restricted	7,101	16,560	(9,459)
Unrestricted (Deficit)	(8,251,497)	(9,132,975)	881,478
Total Net Position (Deficit)	($8,226,623)	($9,094,324)	$867,701

The net pension liability and net OPEB liability (asset) reported by the Educational Service Center at June 30, 2022, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the Educational Service Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 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 Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the Educational Service Center's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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 Educational Service 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 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. vacation and sick 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 pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the Educational Service Center. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension/OPEB 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 Statements No. 68 and No. 75, the Educational Service 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 outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall increase in deferred outflows and deferred inflows. The increase in the net pension asset and the decrease in the net pension liability and net OPEB liability represents the Educational Service Center's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from pension/OPEB related activity, there were few changes of significance noted in the above table. The increase in current and other liabilities is due to an increase in accounts payable (based on timing of payments made), an increase in accrued wages (timing of pay periods) and an increase in matured compensated absences (individuals who retired and received their severance payment in the subsequent fiscal year). The increase in other long-term liabilities is due to the change in individuals meeting the severance criteria.

Table 2 reflects the change in net position for fiscal year 2022 and fiscal year 2021.

Table 2
Change in Net Position

	Governmental Activities		
	2022	2021	Change
Revenues:			
Program Revenues			
Charges for Services	$7,421,177	$6,834,281	$586,896
Operating Grants and Contributions	688,943	664,034	24,909
Total Program Revenues	8,110,120	7,498,315	611,805
General Revenues			
Interest	(364)	2,541	(2,905)
Contributions and Donations	50	100	(50)
Miscellaneous	74,151	206,742	(132,591)
Total General Revenues	73,837	209,383	(135,546)
Total Revenues	8,183,957	7,707,698	476,259
Expenses:			
Instruction:			
Regular	36,740	41,817	5,077
Special	3,654,485	3,704,050	49565
Support Services:			
Pupils	1,618,225	1,899,781	281,556
Instructional Staff	603,615	770,173	166,558
Board of Education	82,216	62,000	(20,216)
Administration	896,682	1,061,939	165,257
Fiscal	248,610	285,606	36,996
Operation and Maintenance of Plant	164,083	183,824	19,741
Central	7,836	12,086	4,250
Extracurricular Activities	1,019	990	(29)
Interest and Fiscal Charges	2,745	0	(2,745)
Total Expenses	7,316,256	8,022,266	706,010
Increase (Decrease) in Net Position	867,701	(314,568)	1,182,269
Net Position (Deficit) at Beginning of Year	(9,094,324)	(8,779,756)	(314,568)
Net Position (Deficit) at End of Year	($8,226,623)	($9,094,324)	$867,701

Program revenues were 99 percent of total revenues for fiscal year 2022 (97 percent in fiscal year 2021) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 91 percent of total revenues. The services being charged to the school districts involve various instruction and support services. The Educational Service Center primarily provides services to eight local school districts and one city school district in Northwest Ohio. The increase in total revenues from the prior fiscal year is primarily due to an increase in the charges to local school districts (which fluctuate annually based on services requested by the supported school districts and grant funding).

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget and dependent on the level of services requested by those school districts which vary from year to year. The decrease in expenses from the prior fiscal year is primarily due to the decrease in pension/OPEB expense.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the costs of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction:				
Regular	$36,740	$41,817	($1,656,390)	($1,011,807)
Special	3,654,485	3,704,050	(2,661,087)	(2,625,115)
Support Services:				
Pupils	1,618,225	1,899,781	1,597,458	1,819,755
Instructional Staff	603,615	770,173	560,571	742,962
Board of Education	82,216	62,000	82,216	62,000
Administration	896,682	1,061,939	880,919	1,061,939
Fiscal	248,610	285,606	248,610	285,606
Operation and Maintenance of Plant	164,083	183,824	147,878	183,824
Pupil Transportation	0	0	0	(3,089)
Central	7,836	12,086	6,036	10,286
Non-Instructional Services	0	0	(3,000)	(3,000)
Extracurricular Activities	1,019	990	180	590
Interest and Fiscal Charges	2,745	0	2,745	0
Total Expenses	$7,316,256	$8,022,266	($793,864)	$523,951

As indicated previously, a significant portion of the Educational Service Center's program costs are provided for through program revenues, that being charges for programs provided by the Educational Service Center to school districts served by the Educational Service Center and from various grant resources.

As noted previously, the change in the total costs of services and the net cost of services from the prior fiscal year is generally due to the decrease in pension/OPEB expense.

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. The change in fund balance in the General Fund was not significant.

Capital Assets and Debt

Capital Assets

At June 30, 2022, the Educational Service Center had $65,577 invested in capital assets (net of accumulated depreciation). There were minimal additions and disposals. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

Debt

The Educational Service Center 's outstanding debt at June 30, 2022, consisted of leases, in the amount of $47,804. The Educational Service Center's long-term obligations also include the net pension/OPEB liability and compensated absences. For further information regarding the Educational Service Center's capital assets, refer to Note 15 to the basic financial statements.

Current Issues

State foundation revenues for fiscal year 2023 are expected to increase slightly due to a modification of the funding formula for educational service centers that will be phased in over the next couple of fiscal years. The State funding is anticipated to increase of approximately 10.55 percent or $35,142 for fiscal year 2023 with a proration factor of 1.00. The State still has the ability to "prorate to stay within the appropriations" and this factor will be monitored as we proceed throughout the fiscal year, especially when considering the current market conditions and/or the State's budget. Service contract revenue is expected to moderately increase due to the anticipation of school districts needing to maintain services. For fiscal year 2023, grant funding is expected to increase moderately which will help to offset some COVID 19 related expenses that still exist.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140 Findlay, Ohio 45840.

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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$1,761,167
Accounts Receivable	24,082
Accrued Interest Receivable	14
Intergovernmental Receivable	306,539
Prepaid Items	7,444
Net OPEB Asset	630,662
Depreciable Capital Assets, Net	65,577
Total Assets	2,795,485
Deferred Outflows of Resources:	
Pension	2,138,687
OPEB	349,960
Total Deferred Outflows of Resources	2,488,647
Liabilities:	
Accounts Payable	13,166
Accrued Wages and Benefits Payable	804,775
Matured Compensated Absences Payable	8,395
Intergovernmental Payable	152,170
Long-Term Liabilities:	
Due Within One Year	36,634
Due in More Than One Year	
Net Pension Liability	5,500,261
Net OPEB Liability	881,730
Other Amounts Due in More Than One Year	374,361
Total Liabilities	7,771,492
Deferred Inflows of Resources:	
Pension	4,417,866
OPEB	1,321,397
Total Deferred Inflows of Resources	5,739,263
Net Position:	
Net Investment in Capital Assets	17,773
Restricted For:	
Other Purposes	7,101
Unrestricted (Deficit)	(8,251,497)
Total Net Position (Deficit)	($8,226,623)

See Accompanying Notes to Basic Financial Statements

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

		Program Revenues		Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$36,740	$1,693,130	$0	$1,656,390
Special	3,654,485	5,694,740	620,832	2,661,087
Support Services:				
Pupils	1,618,225	0	20,767	(1,597,458)
Instructional Staff	603,615	0	43,044	(560,571)
Board of Education	82,216	0	0	(82,216)
Administration	896,682	15,763	0	(880,919)
Fiscal	248,610	0	0	(248,610)
Operation and Maintenance of Plant	164,083	13,705	2,500	(147,878)
Central	7,836	0	1,800	(6,036)
Non-Instructional Services	0	3,000	0	3,000
Extracurricular Activities	1,019	839	0	(180)
Interest and Fiscal Charges	2,745	0	0	(2,745)
Total Governmental Activities	$7,316,256	$7,421,177	$688,943	793,864

General Revenues:	
Interest	(364)
Gifts and Donations	50
Miscellaneous	74,151
Total General Revenues	73,837
Change in Net Position	867,701
Net Position (Deficit) at Beginning of Year	(9,094,324)
Net Position (Deficit) at End of Year	($8,226,623)

See Accompanying Notes to the Basic Financial Statements

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

	General	Other Governmental	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$1,755,477	$4,591	$1,760,068
Accounts Receivable	24,082	0	24,082
Accrued Interest Receivable	14	0	14
Intergovernmental Receivable	271,853	34,686	306,539
Interfund Receivable	20,631	0	20,631
Prepaid Items	7,434	10	7,444
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	1,099	0	1,099
Total Assets	$2,080,590	$39,287	$2,119,877
Liabilities			
Accounts Payable	$9,557	$3,609	$13,166
Accrued Wages and Benefits Payable	799,469	5,306	804,775
Matured Compensated Absences Payable	8,395	0	8,395
Intergovernmental Payable	149,530	2,640	152,170
Interfund Payable	0	20,631	20,631
Total Liabilities	966,951	32,186	999,137
Deferred Inflows of Resources:			
Unavailable Revenue	0	23,811	23,811
Fund Balances:			
Nonspendable	8,533	10	8,543
Restricted	0	7,091	7,091
Assigned	83,627	0	83,627
Unassigned (Deficit)	1,021,479	(23,811)	997,668
Total Fund Balances (Deficit)	1,113,639	(16,710)	1,096,929
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$2,080,590	$39,287	$2,119,877

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances		$1,096,929
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		65,577
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Intergovernmental Receivable	23,811	
		23,811
Some liabilities are not due and payable in the current period and , therefore, are not reported in the funds.		
Leases Payable		(47,804)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(363,191)
The net pension/OPEB liability (asset) is not due and payable in the current period; therefore, the asset, liability and related deferred outflows/inflows are not reported in the governmental funds.		
Net OPEB Asset	630,662	
Deferred Outflows - Pension	2,138,687	
Deferred Inflows - Pension	(4,417,866)	
Net Pension Liability	(5,500,261)	
Deferred Outflows - OPEB	349,960	
Deferred Inflows - OPEB	(1,321,397)	
Net OPEB Liability	(881,730)	
		(9,001,945)
Net Position (Deficit) of Governmental Activities		($8,226,623)

See Accompanying Notes to the Basic Financial Statements

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

	General	Other Governmental	Total Governmental Funds
Revenues:			
Intergovernmental	$372,632	$240,415	$613,047
Interest	(350)	0	(350)
Tuition and Fees	5,770,044	0	5,770,044
Extracurricular Activities	0	839	839
Customer Services	1,650,294	0	1,650,294
Gifts and Donations	50	60,235	60,285
Miscellaneous	74,151	0	74,151
Total Revenues	7,866,821	301,489	8,168,310
Expenditures:			
Current:			
Instruction:			
Regular	26,866	0	26,866
Special	3,937,081	250,432	4,187,513
Support Services:			
Pupils	1,794,671	30,343	1,825,014
Instructional Staff	585,329	39,552	624,881
Board of Education	82,216	0	82,216
Administration	987,774	800	988,574
Fiscal	254,607	0	254,607
Operation and Maintenance of Plant	172,212	0	172,212
Central	6,191	1,800	7,991
Extracurricular Activities	0	1,019	1,019
Debt Service:			
Principal	22,165	0	22,165
Interest	2,745	0	2,745
Total Expenditures	7,871,857	323,946	8,195,803
Changes in Fund Balances	(5,036)	(22,457)	(27,493)
Other Financing Sources:			
Inception of Lease	12,313	0	12,313
Net Change in Fund Balances	7,277	(22,457)	(15,180)
Fund Balances at Beginning of Year	1,106,362	5,747	1,112,109
Fund Balances (Deficit) at End of Year	$1,113,639	($16,710)	$1,096,929

See Accompanying Notes to the Basic Financial Statements

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

Changes in Fund Balances - Total Governmental Funds		($15,180)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current fiscal year.		
Capital Outlay - Depreciable Capital Assets	23,141	
Depreciation/Amortization	(29,103)	
		(5,962)
The book value of capital assets is removed from the capital assets account on the statement of net psition when disposed of resulting in a loss on disposal of captial assets on the statement of activities.		(8,208)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Intergovernmental	15,661	
Interest	(14)	
		15,647
Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.		
Leases Payable		22,165
The inception of a lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position.		(12,313)
Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(26,305)
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	82,366	
OPEB	41,864	
		124,230
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	743,518	
OPEB	30,109	
		773,627
Change in Net Position of Governmental Activities		$867,701

See Accompanying Notes to the Basic Financial Statements

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

	Custodial Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	$546
Net Position:	
Restricted for Individuals, Organizations, and other Governments	$546

See Accompanying Notes to the Basic Financial Statements

Note 1 - Reporting Entity

The Hancock County Educational Service Center (the "Educational Service Center") is located in Findlay, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Arcadia, Arlington, Cory Rawson, Liberty Benton, McComb, Riverdale, Van Buren, and Vanlue Local School Districts and the Findlay City School District. The Educational Service Center furnishes these services to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has twelve administrators, eighty classified employees, and sixty-five certified teaching personnel that provide services to the local and city school districts.

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

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

The Educational Service Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Hancock County Local Professional Development Committee, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Educational Service Center that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the Educational Service Center has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service 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 requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

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

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The Educational Service Center did not have any trust funds in fiscal year 2022. The Educational Service Center's custodial funds are used to account for resources held on behalf of the Hancock County Local Professional Development Committee and the Family Month Task Force.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, 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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

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 and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: grants, interest, tuition, fees, and customer services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Note 12 and Note 13 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Educational Service Center, deferred inflows of resources includes unavailable revenue, pension, and OPEB. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue consists of intergovernmental revenue including grants. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 14. Deferred inflows of resources related to pension and OPEB are reported on the government wide statement of net position and explained in Note 12 and Note 13 to the basic financial statements.

Expenses/Expenditures

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

During fiscal year 2022, the Educational Service Center invested in negotiable certificates of deposit and STAR Ohio. Negotiable certificates of deposit are reported at fair value. Fair value is based on quoted market price. 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The Educational Service Center measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 per day million 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 this purpose.

The Board of Education has allocated interest earnings according to State statutes. Due to a decrease in the fair value of the Educational Service Center's investments, the General Fund reported negative interest revenue in fiscal year 2022.

Investments of the Educational Service Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions. Unclaimed monies that have a legal restriction on their expenditure are reported as restricted.

Note 2 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

All of the Educational Service Center's capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets (except for intangible right-to use lease assets which are discussed below) are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The Educational Service Center maintains a capitalization threshold of seven hundred fifty dollars. 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. The Educational Service Center does not have any infrastructure.

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

Description	Useful Lives
Buildings and Building Improvements	25 years
Furniture, Fixtures, and Equipment	5-15 years

The Educational Service Center is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or unpaid amounts for interfund services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

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 Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. The 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 to pay those benefits. Leases are recognized as a liability on the fund financial statements when due.

L. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of these assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position represents federal and state grants.

The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 2 - Summary of Significant Accounting Policies (continued)

M. Fund Balance

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

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

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

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

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

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

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

N. Pension/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, 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 systems. 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 systems report investments at fair value.

Note 2 - Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

P. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2022, the Educational Service Center implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, “Leases”.

GASB Statement 87 enhances 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 Educational Service Center’s 2022 financial statements; however, there was no effect on beginning net position/fund balance. The Educational Service Center recognized $57,656 in leases payable at July 1, 2021; which was offset by the intangible asset, right to use lease - equipment.

The Educational Service Center is also implementing Implementation Guide No. 2020-1, GASB Statement No. 92, “Omnibus 2020”, and GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”. These changes were incorporated in the Educational Service Center’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2022, the Educational Service Center modified its approach related to the eligibility requirements of certain Educational Service Center grants; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2022, the ESSER Extended Learning Grant special revenue fund had a deficit fund balance, in the amount of $23,811, resulting from recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

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

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

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

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

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

Interim monies held by the Educational Service Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Note 5 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

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

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

Investments

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

Measurement/ Investment	Measurement Amount	Maturity
Fair Value - Level Two Inputs		
Negotiable Certificates of Deposit	$95,184	3/11/2024
Net Asset Value Per Share		
STAR Ohio	1,334,451	35.3 days average
Total Investments	$1,429,635	

Note 5 - Deposits and Investments (continued)

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Educational Service Center's recurring fair value measurements as of June 30, 2022. The negotiable certificates of deposit are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the Educational Service Center.

The negotiable certificates of deposit are generally covered by SIPC insurance. STAR Ohio carries a rating of AAA by Standard and Poor's. The Educational Service Center has no investment policy dealing with credit risk beyond the requirements of State statute. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Negotiable certificates of deposit make up 7 percent of the Educational Service Center's total portfolio.

Note 6 - State Funding

The Educational Service Center, under State law, provides services to local school districts within its territory. Each city, local and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided services. The cost of the services is determined by formula under State law. The State Department of Education apportions the costs for all services among the Educational Service Center's city, local and exempted school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional services if the majority of local and client school districts agree to the services and the apportionment of the costs to all of the client school districts.

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

Note 6 - State Funding (continued)

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

Note 7 - Receivables

Receivables at June 30, 2022, included accounts receivable, accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Various School Districts	$250,349
State of Ohio	21,504
Total General Fund	271,853
Other Governmental Funds	
Miscellaneous State Grants	8,094
ESSER Extended Learning Grant	23,811
GEER Grant	404
ESC State Trainers Grant	2,377
Total Other Governmental Funds	34,686
Total Intergovernmental Receivables	$306,539

Note 8 - Capital Assets

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

	Balance at 6/30/21	Additions	Reductions	Balance at 6/30/22
Governmental Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	$61,711	$0	($61,711)	$0
Furniture, Fixtures, and Equipment	180,277	10,828	0	191,105
Intangible Right to Use Lease - Equipment	57,656	12,313	0	69,969
Total Depreciable Capital Assets	299,644	23,141	(61,711)	261,074
Less Accumulated Depreciation				
Buildings and Building Improvements	(53,503)	0	53,503	0
Furniture, Fixtures, and Equipment	(166,394)	(6,938)	0	(173,332)
Intangible Right to Use Lease - Equipment	0	(22,165)	0	(22,165)
Total Accumulated Depreciation	(219,897)	(29,103)	53,503	(195,497)
Governmental Activities Capital Assets, Net	$79,747	($5,962)	($8,208)	$65,577

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	$10,006
Support Services:	
Pupils	1,464
Instructional Staff	16,065
Administration	1,030
Fiscal	538
Total Depreciation Expense	$29,103

Of the current year depreciation total of $29,103, $6,650 is presented as special instruction expense and $15,515 is presented as instructional staff expense on the Statement of Activities related to the Educational Service Center's intangible asset of copiers, which is included as an Intangible Right to Use Lease. With the implementation of GASB Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

Note 9 - Interfund Receivables/Payables

At June 30, 2022, the General Fund had an interfund receivable, in the amount of $20,631, from other governmental funds to provide cash flow resources until the receipt of grant monies. This amount is expected to be repaid within one year.

Note 10 - Risk Management

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

Coverage provided by the Schools of Ohio Risk Sharing Authority	
General Liability	
Per Occurrence	$15,000,000
Total per Year	17,000,000
Auto Liability	15,000,000
Commercial Property (District Limit)	600,000

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

For fiscal year 2022, the Educational Service Center participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

The Educational Service Center participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Educational Service Center pays monthly premiums to the Fund for employee medical, dental, and vision insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The Educational Service Center participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 11 - Contractual Commitments

At fiscal year end, the General Fund had $98,496 of encumbrances expected to be honored upon performance by the vendor in fiscal year 2023.

Note 12 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 have already occurred.

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

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

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

Note 12 - Defined Benefit Pension Plans (continued)

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - Educational Service Center nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent. The Retirement Board approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries for calendar year 2021.

Note 12 - Defined Benefit Pension Plans (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $229,628 for fiscal year 2022. Of this amount, $27,564 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Educational Service Center licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

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

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

Note 12 - Defined Benefit Pension Plans (continued)

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP 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 DCP 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. For the fiscal year ended June 30, 2022, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contribution to STRS was $513,890 for fiscal year 2022. Of this amount. $75,965 is reported as an intergovernmental payable.

Pension Liability, Pension Expense, 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 Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

Note 12 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.04329850%	0.030072830%	
Current Measurement Date	0.04541800%	0.029911618%	
Change in Proportionate Share	0.00211950%	0.000161212%	
Proportionate Share of the Net Pension Liability	$1,675,792	$3,824,469	$5,500,261
Pension Expense	($24,667)	($57,699)	($82,366)

At June 30, 2022, the Educational Service 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	$162	$118,157	$118,319
Changes of Assumptions	35,287	1,060,977	1,096,264
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	81,086	99,500	180,586
Educational Service Center Contributions Subsequent to the Measurement Date	229,628	513,890	743,518
Total Deferred Outflows of Resources	$346,163	$1,792,524	$2,138,687
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$43,460	$23,971	$67,431
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	863,082	3,295,960	4,159,042
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	4,498	186,895	191,393
Total Deferred Inflows of Resources	$911,040	$3,506,826	$4,417,866

Note 12 - Defined Benefit Pension Plans (continued)

$743,518 reported as deferred outflows of resources related to pension resulting from Educational Service 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 as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($166,009)	($611,206)	($777,215)
2024	(158,372)	(481,115)	(639,487)
2025	(205,210)	(471,435)	(676,645)
2026	(264,914)	(664,436)	(929,350)
Total	($794,505)	($2,228,192)	($3,022,697)

Actuarial Assumptions - SERS

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

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

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.

<u>Note 12 - Defined Benefit Pension Plans</u> (continued)

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

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.5 percent
Investment Rate of Return	7 percent net of System expenses	7.5 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward one year and adjusted 94.2 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five year period ended June 30, 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Note 12 - Defined Benefit Pension Plans (continued)

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

Discount Rate - The total pension liability for 2021 was calculated using the discount rate of 7 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Educational Service Center's Proportionate share of the Net Pension Liability	$2,788,107	$1,675,792	$737,729

Note 12 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

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

	June 30, 2021	June 30, 2020
Inflation	2.5 percent	2.5 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7 percent	7.45 percent
Payroll Increases	3 percent	3 percent
Cost-of-Living Adjustments (COLA)	0 percent	0 percent

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

Note 12 - Defined Benefit Pension Plans (continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7 percent as well as what the Educational Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$7,161,800	$3,824,469	$1,004,432

Note 12 - Defined Benefit Pension Plans (continued)

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

Social Security

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2022, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The Educational Service Center contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five 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 State statute. The financial report of the Plan is included in the SERS Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 13 - 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). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $25,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2022, the Educational Service Center's surcharge obligation was $30,109.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The Educational Service Center's contribution to SERS for health care was $30,109 for fiscal year 2022. Of this amount, $30,109 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

Note 13 - Defined Benefit OPEB Plans (continued)

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.04407290%	0.030072830%	
Current Measurement Date	0.04658880%	0.029911618%	
Change in Proportionate Share	0.00251590%	0.000161212%	
Proportionate Share of the:			
Net OPEB Liability	$881,730	$0	$881,730
Net OPEB Asset	$0	$630,662	$630,662
OPEB Expense	$4,927	($46,791)	($41,864)

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

Note 13 - Defined Benefit OPEB Plans (continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	$9,398	$22,456	$31,854
Changes of Assumptions	138,323	40,284	178,607
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	98,075	11,315	109,390
Educational Service Center Contributions Subsequent to the Measurement Date	30,109	0	30,109
Total Deferred Outflows of Resources	$275,905	$74,055	$349,960
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$439,142	$115,549	$554,691
Changes of Assumptions	120,746	376,236	496,982
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	19,156	174,809	193,965
Changes in Proportionate Share and Difference between Educational Service Center Contributions and Proportionate Share of Contributions	51,211	24,548	75,759
Total Deferred Inflows of Resources	$630,255	$691,142	$1,321,397

$30,109 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	($84,909)	($175,002)	($259,911)
2024	(85,043)	(170,628)	(255,671)
2025	(93,822)	(173,086)	(266,908)
2026	(80,335)	(74,287)	(154,622)
2027	(33,380)	(24,642)	(58,022)
Thereafter	(6,970)	558	(6,412)
Total	($384,459)	($617,087)	($1,001,546)

Note 13 - Defined Benefit OPEB Plans (continued)

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 modification as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Note 13 - Defined Benefit OPEB Plans (continued)

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent
Investment Rate of Return	7 percent net of investment expense, including inflation	7.5 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.4 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.4 percent	7 to 4.75 percent

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

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

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

Note 13 - 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 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten 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 SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 1.5 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the Educational Service Center’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rates. The following table presents the net OPEB liability of SERS and what SERS’ net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) or one percentage point higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.4 percent) and one percentage point higher (7.75 percent decreasing to 5.4 percent) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$1,092,572	$881,730	$713,297

Note 13 - Defined Benefit OPEB Plans (continued)

	1% Decrease (5.75% Decreasing to 3.4%)	Current Trend Rate (6.75% Decreasing to 4.4%)	1% Increase (7.75% Decreasing to 5.4%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$678,861	$881,730	$1,152,704

Actuarial Assumptions - STRS

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

	June 30, 2021	June 30, 2020
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5 percent initial, 4 percent ultimate	5 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

Note 13 - Defined Benefit OPEB Plans (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate - The discount rate used to measure the total OPEB liability was 7 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7 percent was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Educational Service Center's Proportionate Share of the Net OPEB Asset	$532,181	$630,662	$712,928

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB Asset	$709,595	$630,662	$533,055

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

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from Board policy and State laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation time.

Note 14 - Other Employee Benefits (continued)

Classified and certified employees and administrators earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty-five days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of thirty days. After the thirty-day maximum is achieved, employees are paid one additional day for each year of service with the Educational Service Center, up to a total maximum of forty-eight days.

An employee's severance pay is pro-rated if they have not served five years with the Educational Service Center.

B. Health Care Benefits

The Educational Service Center provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. Depending upon the plan chose, the employees share the cost of the monthly premium with the Board. The Educational Service Center also offers life insurance to all employees through the Ohio Schools Council Association Life Insurance Company.

Note 15 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2022 were as follows:

	Balance at 6/30/21	Additions	Reductions	Balance at 6/30/22	Amounts Due Within One Year
Governmental Activities					
Net Pension Liability					
SERS	$2,863,854	$0	$1,188,062	$1,675,792	$0
STRS	7,276,557	0	3,452,088	3,824,469	0
Total Net Pension Liability	10,140,411	0	4,640,150	5,500,261	0
Net OPEB Liability					
SERS	957,848	0	76,118	881,730	0
Compensated Absences	336,886	26,305	0	363,191	20,313
Lease Payable	57,656	12,313	22,165	47,804	16,321
Total Governmental Activities	$11,492,801	$38,618	$4,738,433	$6,792,986	$36,634

There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund, Miscellaneous State Grants, ESSER Extended Learning Grant, and Miscellaneous Federal Grants special revenue funds.

Compensated absences will be paid from the General Fund.

Note 15 - Long-Term Obligations (continued)

The Educational Service Center has an outstanding agreement to lease copiers. Due to the implementation of GASB Statement No. 87, this lease plus existing prior capital leases have met the criteria of leases thus requiring it to be recorded by the Educational Service Center. The future lease payments were discounted based on the interest rate implicit in the lease or using the Educational Service Center's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows.

Year	Principal	Interest
2023	$16,321	$288
2024	17,938	181
2025	13,545	44
	$47,804	$513

Note 16 - Fund Balance

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

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Prepaid Items	$7,434	$10	$7,444
Unclaimed Monies	1,099	0	1,099
Total Nonspendable	8,533	10	8,543
Restricted for:			
Regular Instruction	0	2,500	2,500
School Safety	0	2,675	2,675
Student Activities	0	1,916	1,916
Total Restricted	0	7,091	7,091
Assigned for:			
Unpaid Obligations	83,627	0	83,627
Unassigned (Deficit)	1,021,479	(23,811)	997,668
Total Fund Balance	$1,113,639	($16,710)	$1,096,929

Note 17 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The Educational Service Center is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2022, the Educational Service Center paid $13,801 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

B. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

Note 18 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a nine member board consisting of Superintendents, Treasurers, and Business Managers. Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing, consulting services, and establishing agreements between SORSA and its members. Financial information can be obtained by contacting SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

B. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Plan is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Plan.

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 19 - Contingencies

A. Grants

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

B. Litigation

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

Note 20 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 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 Educational Service Center received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the Educational Service Center. The impact on the Educational Service Center's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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

	2022	2021	2020	2019
Educational Service Center's Proportion of the Net Pension Liability	0.04541800%	0.04329850%	0.43679800%	0.04619720%
Educational Service Center's Proportionate Share of the Net Pension Liability	$1,675,792	$2,863,854	$2,613,439	$2,645,800
Educational Service Center's Employee Payroll	$1,577,307	$1,540,150	$1,495,563	$1,486,281
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	106.24%	185.95%	174.75%	178.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014
0.04168670%	0.04533470%	0.05281740%	0.05145300%	0.04533470%
$2,490,689	$3,318,082	$3,013,812	$2,604,007	$3,059,745
$1,338,036	$1,410,564	$1,553,293	$1,400,771	$1,270,382
186.15%	235.23%	194.03%	185.90%	240.85%
69.50%	62.98%	69.16%	71.70%	65.52%

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

	2022	2021	2020	2019
Educational Service Center's Proportion of the Net Pension Liability	0.029911618%	0.03007283%	0.02921717%	0.03039927%
Educational Service Center's Proportionate Share of the Net Pension Liability	$3,824,469	$7,276,557	$6,461,203	$6,684,117
Educational Service Center's Employee Payroll	$3,694,493	$3,673,729	$3,402,836	$3,414,721
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	103.52%	198.07%	189.88%	195.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014
0.03151749%	0.30842120%	0.02905736%	0.03264718%	0.03264718%
$7,487,048	$10,323,787	$8,030,605	$7,940,924	$9,459,177
$3,429,807	$3,334,179	$3,027,143	$3,384,046	$2,990,685
218.29%	309.64%	265.29%	234.66%	316.29%
75.30%	66.80%	72.10%	74.70%	69.30%

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

	2022	2021	2020	2019
Educational Service Center's Proportion of the Net OPEB Liability	0.04658880%	0.04407290%	0.04461900%	0.04654210%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$881,730	$957,848	$1,122,074	$1,291,203
Educational Service Center's Employee Payroll	$1,577,307	$1,540,150	$1,495,563	$1,486,281
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	55.90%	62.19%	75.03%	86.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017
0.04237710%	0.04594370%
$1,137,290	$1,309,565
$1,338,036	$1,410,564
85.00%	92.84%
12.46%	11.49%

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

	2022	2021	2020	2019
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.029911618%	0.03007283%	0.02921717%	0.03039927%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	($630,662)	($528,529)	($483,905)	($488,485)
Educational Service Center's Employee Payroll	$3,694,493	$3,673,729	$3,402,836	$3,414,721
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-17.07%	-14.39%	-14.22%	-14.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%	176.00%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2018	2017
0.03151749%	0.03084212%
$1,229,697	$1,649,445
$3,429,807	$3,334,179
35.85%	49.47%
47.10%	37.30%

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

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$229,628	$220,823	$215,621	$201,901
Contributions in Relation to the Contractually Required Contribution	(229,628)	(220,823)	(215,621)	(201,901)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll (1)	$1,640,200	$1,577,307	$1,540,150	$1,495,563
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	$30,109	$28,806	$24,256	$34,036
Contributions in Relation to the Contractually Required Contribution	(30,109)	(28,806)	(24,256)	(34,036)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	1.84%	1.83%	1.57%	2.28%
Total Contributions as a Percentage of Employee Payroll (2)	15.84%	15.83%	15.57%	15.78%

(1) The Educational Service Center's covered payroll is the same for Pension and OPEB
(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014	2013
$200,648	$187,325	$197,479	$204,724	$194,147	$175,821
(200,648)	(187,325)	(197,479)	(204,724)	(194,147)	(175,821)
$0	$0	$0	$0	$0	$0
$1,486,281	$1,338,036	$1,410,564	$1,553,293	$1,400,771	$1,270,382
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
$31,131	$23,442	$23,256	$38,414	$25,114	$21,999
(31,131)	(23,442)	(23,256)	(38,414)	(25,114)	(21,999)
$0	$0	$0	$0	$0	$0
2.09%	1.75%	1.65%	2.47%	1.79%	1.73%
15.59%	15.75%	15.65%	15.65%	15.65%	15.57%

Schedule of the Educational Service Center's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$513,890	$517,229	$514,322	$476,397
Contributions in Relation to the Contractually Required Contribution	(513,890)	(517,229)	(514,322)	(476,397)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll	$3,670,643	$3,694,493	$3,673,729	$3,402,836
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

2018	2017	2016	2015	2014	2013
$478,061	$480,173	$466,785	$423,800	$439,926	$388,789
(478,061)	(480,173)	(466,785)	(423,800)	(439,926)	(388,789)
$0	$0	$0	$0	$0	$0
$3,414,721	$3,429,807	$3,334,179	$3,027,143	$3,384,046	$2,990,685
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
$0	$0	$0	$0	$33,840	$29,907
0	0	0	0	(33,840)	(29,907)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2022, an assumption of 2 percent was used for COLA or Ad Hoc COLA. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below.

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7 percent net of system expenses	7.5 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward one year and adjusted 94.2 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below.

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.5 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0 percent, effective July 1, 2017	0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below.

	2022	2021 and Prior
Inflation	2.4 percent	3 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.5 percent to 18.2 percent
Investment Rate of Return	7 percent net of investment expense, including inflation	7.5 percent net of investment expense, including inflation

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions - STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.

Changes in Benefit Terms - STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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Supplemental Section

Hancock County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues:				
Intergovernmental			$360,351	
Interest			4,358	
Tuition and Fees			5,729,346	
Customer Services			1,605,164	
Gifts and Donations			50	
Miscellaneous			71,925	
Total Revenues			7,771,194	
Expenditures:				
Current:				
Instruction:				
Regular	62,931	62,931	26,947	35,984
Special	4,326,542	4,326,541	3,883,350	443,191
Support Services:				
Pupils	1,895,456	1,920,456	1,804,194	116,262
Instructional Staff	658,737	658,737	619,398	39,339
Board of Education	83,875	89,875	85,992	3,883
Administration	1,108,115	1,120,115	1,017,132	102,983
Fiscal	291,815	291,815	263,355	28,460
Operation and Maintenance of Plant	191,129	191,129	178,431	12,698
Pupil Transportation	5,000	5,000	3,400	1,600
Central	22,053	22,053	8,256	13,797
Total Expenditures	8,645,653	8,688,652	7,890,455	798,197
Excess of Revenues Under Expenditures	(8,645,653)	(8,688,652)	(119,261)	8,569,391
Other Financing Sources:				
Refund of Prior Year Expenditures	10,000	10,000	241	(9,759)
Changes in Fund Balance	(8,635,653)	(8,678,652)	(119,020)	8,559,632
Fund Balance at Beginning of Year	1,747,898	1,747,898	1,747,898	0
Prior Year Encumbrances Appropriated	54,649	54,649	54,649	0
Fund Balance at End of Year			$1,683,527	$8,559,632

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The Educational Service Center's Board does not budget for resources estimated to be received during the fiscal year.

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

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

Note 2 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Note 2 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements are as follows:

Change in Fund Balance

	General Fund
GAAP Basis	$7,277
Increase (Decrease) Due to:	
Revenue Accruals:	
Accrued FY 2021, Received in Cash FY 2022	195,841
Accrued FY 2022, Not Yet Received in Cash	(295,949)
Expenditure Accruals:	
Accrued FY 2021, Paid in Cash FY 2022	(898,615)
Accrued FY 2022, Not Yet Paid in Cash	966,951
Cash Adjustments:	
Unrecorded Activity FY 2021	(94)
Unrecorded Activity FY 2022	4,816
Prepaid Items	(751)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(98,496)
Budget Basis	($119,020)

The discussion and analysis of Hancock County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Highlights for fiscal year 2021 are as follows:

Net position decreased $314,568, or approximately 4 percent.

Program specific revenues, in the form of charges for services and operating grants, accounted for $7,498,315, or 97 percent of total revenues.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Hancock County Educational Service Center as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for spending in the near future. The fund financial statements also look at the Educational Service Center's most significant funds, with all other nonmajor funds presented in total in a single column. For Hancock County Educational Service Center, the General Fund is the most significant fund.

Reporting the Educational Service Center as a Whole

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2021. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Educational Service Center's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Educational Service Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the Educational Service Center's activities are reported as governmental activities, including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's only major fund is the General Fund.

Governmental Funds - All of the Educational Service Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual 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 Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Educational Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Educational Service Center's programs. These funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net position for fiscal year 2021 and fiscal year 2020.

Table 1
Net Position

	Governmental Activities		
	2021	2020	Change
Assets			
Current and Other Assets	$2,038,391	$2,020,485	$17,906
Net OPEB Asset	528,529	483,905	44,624
Capital Assets, Net	22,091	22,596	(505)
Total Assets	2,589,011	2,526,986	62,025
Deferred Outflows of Resources			
Pension	1,857,100	1,838,243	18,857
OPEB	350,318	273,864	76,454
Total Deferred Outflows of Resources	2,207,418	2,112,107	95,311

(continued)

Table 1
Net Position
(continued)

	Governmental Activities		
	2021	2020	Change
Liabilities			
Current and Other Liabilities	$918,118	$989,651	$71,533
Long-Term Liabilities			
Pension	10,140,411	9,074,642	(1,065,769)
OPEB	957,848	1,122,074	164,226
Other Amounts	336,886	390,526	53,640
Total Liabilities	12,353,263	11,576,893	(776,370)
Deferred Inflows of Resources			
Pension	322,013	834,971	512,958
OPEB	1,215,477	1,006,985	(208,492)
Total Deferred Inflows of Resources	1,537,490	1,841,956	304,466
Net Position			
Net Investment in Capital Assets	22,091	22,596	(505)
Restricted	16,560	26,553	(9,993)
Unrestricted (Deficit)	(9,132,975)	(8,828,905)	(304,070)
Total Net Position (Deficit)	($9,094,324)	($8,779,756)	($314,568)

The net pension liability and net OPEB liability (asset) reported by the Educational Service Center at June 30, 2021, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the Educational Service Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 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 Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the Educational Service Center's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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 Educational Service 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 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. vacation and sick 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 pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the Educational Service Center. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension/OPEB 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 Statements No. 68 and No. 75, the Educational Service 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 outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall increase in deferred outflows and decrease in deferred inflows. The increase in the net pension asset and the net pension liability and the decrease in the net OPEB liability represents the Educational Service Center's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from pension/OPEB related activity, there were few changes of significance noted in the above table. The decrease in current and other liabilities is due to a decrease in accounts payable (based on timing of payments made), a decrease in accrued wages (timing of pay periods) and a decrease in matured compensated absences (individuals who retired and received their severance payment in the subsequent fiscal year). The decrease in other long-term liabilities is due to the change in individuals meeting the severance criteria.

Table 2 reflects the change in net position for fiscal year 2021 and fiscal year 2020.

Table 2
Change in Net Position

	Governmental Activities		
	2021	2020	Change
Revenues:			
Program Revenues			
Charges for Services	$6,834,281	$6,803,204	$31,077
Operating Grants and Contributions	664,034	473,379	190,655
Total Program Revenues	7,498,315	7,276,583	221,732
General Revenues			
Interest	2,541	28,644	(26,103)
Contributions and Donations	100	100	0
Miscellaneous	206,742	89,788	116,954
Total General Revenues	209,383	118,532	90,851
Total Revenues	7,707,698	7,395,115	312,583
Expenses:			
Instruction:			
Regular	41,817	62,788	20,971
Special	3,704,050	3,475,130	(228,920)
Support Services:			
Pupils	1,899,781	1,789,021	(110,760)
Instructional Staff	770,173	753,272	(16,901)
Board of Education	62,000	50,377	(11,623)
Administration	1,061,939	897,206	(164,733)
Fiscal	285,606	297,196	11,590
Operation and Maintenance of Plant	183,824	203,821	19,997
Pupil Transportation	0	2,017	2,017
Central	12,086	23,861	11,775
Extracurricular Activities	990	1,260	270
Total Expenses	8,022,266	7,555,949	(466,317)
Decrease in Net Position	(314,568)	(160,834)	(153,734)
Net Position (Deficit) at Beginning of Year	(8,779,756)	(8,618,922)	(160,834)
Net Position (Deficit) at End of Year	($9,094,324)	($8,779,756)	($314,568)

Program revenues were 97 percent of total revenues for fiscal year 2021 (98 percent in fiscal year 2020) and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 89 percent of total revenues. The services being charged to the school districts involve various instruction and support services. The Educational Service Center primarily provides services to eight local school districts and one city school district in Northwest Ohio. The increase in total revenues from the prior fiscal year is primarily due to an increase in the charges to local school districts (which fluctuate annually based on services requested by the supported school districts and grant funding).

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget and dependent on the level of services requested by those school districts which vary from year to year. The increase in expenses from the prior fiscal year is primarily due to the increase in overall pension/OPEB expense.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the costs of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction:				
Regular	$41,817	$62,788	($1,011,807)	($953,384)
Special	3,704,050	3,475,130	(2,625,115)	(2,761,501)
Support Services:				
Pupils	1,899,781	1,789,021	1,819,755	1,789,021
Instructional Staff	770,173	753,272	742,962	745,407
Board of Education	62,000	50,377	62,000	50,377
Administration	1,061,939	897,206	1,061,939	894,579
Fiscal	285,606	297,196	285,606	297,196
Operation and Maintenance of Plant	183,824	203,821	183,824	203,821
Pupil Transportation	0	2,017	(3,089)	(6,801)
Central	12,086	23,861	10,286	23,861
Non-Instructional Services	0	0	(3,000)	(3,000)
Extracurricular Activities	990	1,260	590	(210)
Total Expenses	$8,022,266	$7,555,949	$523,951	$279,366

As indicated previously, a significant portion of the Educational Service Center's program costs are provided for through program revenues, that being charges for programs provided by the Educational Service Center to school districts served by the Educational Service Center and from various grant resources.

As noted previously, the change in the total costs of services and the net cost of services from the prior fiscal year is generally due to the increase in pension/OPEB expense.

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. There was a 10 percent increase in fund balance from the prior fiscal year for the General Fund. This increase was primarily due to an increase in miscellaneous revenue resulting from workers' compensation refunds.

Capital Assets

At June 30, 2021, the Educational Service Center had $22,091 invested in capital assets (net of accumulated depreciation). There were minimal additions and no disposals. For further information regarding the Educational Service Center's capital assets, refer to Note 8 to the basic financial statements.

Current Issues

State foundation revenues for fiscal year 2022 are expected increase slightly due to a modification of the funding formula for educational service centers that will be phased in over the next couple of fiscal years. The State funding is anticipated to increase of approximately 11.57 percent or $34,655 for fiscal year 2022 with a proration factor of 1.00. The State still has the ability to "prorate to stay within the appropriations" and this factor will be monitored as we proceed throughout the fiscal year, especially when considering the COVID 19 effect on the market and/or the State's budget. Service contract revenue is expected to moderately increase due to the anticipation of school districts needing to maintain services. For fiscal year 2022, grant funding is expected to increase moderately which will help to offset some COVID 19 related expenses that still exist.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140 Findlay, Ohio 45840.

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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$1,821,352
Accrued Interest Receivable	14
Intergovernmental Receivable	210,268
Prepaid Items	6,757
Net OPEB Asset	528,529
Depreciable Capital Assets, Net	22,091
Total Assets	2,589,011
Deferred Outflows of Resources:	
Pension	1,857,100
OPEB	350,318
Total Deferred Outflows of Resources	2,207,418
Liabilities:	
Accounts Payable	10,119
Accrued Wages and Benefits Payable	733,059
Intergovernmental Payable	174,940
Long-Term Liabilities:	
Due Within One Year	18,786
Due in More Than One Year	
Net Pension Liability	10,140,411
Net OPEB Liability	957,848
Other Amounts Due in More Than One Year	318,100
Total Liabilities	12,353,263
Deferred Inflows of Resources:	
Pension	322,013
OPEB	1,215,477
Total Deferred Inflows of Resources	1,537,490
Net Position:	
Net Investment in Capital Assets	22,091
Restricted For:	
Other Purposes	16,560
Unrestricted (Deficit)	(9,132,975)
Total Net Position (Deficit)	($9,094,324)

See Accompanying Notes to Basic Financial Statements

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

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$41,817	$1,053,624	$0	$1,011,807
Special	3,704,050	5,774,218	554,947	2,625,115
Support Services:				
Pupils	1,899,781	0	80,026	(1,819,755)
Instructional Staff	770,173	0	27,211	(742,962)
Board of Education	62,000	0	0	(62,000)
Administration	1,061,939	0	0	(1,061,939)
Fiscal	285,606	0	0	(285,606)
Operation and Maintenance of Plant	183,824	0	0	(183,824)
Pupil Transportation	0	3,089	0	3,089
Central	12,086	0	1,800	(10,286)
Non-Instructional Services	0	3,000	0	3,000
Extracurricular Activities	990	350	50	(590)
Total Governmental Activities	$8,022,266	$6,834,281	$664,034	(523,951)

General Revenues:	
Interest	2,541
Gifts and Donations	100
Miscellaneous	206,742
Total General Revenues	209,383
Change in Net Position	(314,568)
Net Position (Deficit) at Beginning of Year	(8,779,756)
Net Position (Deficit) at End of Year	($9,094,324)

See Accompanying Notes to the Basic Financial Statements

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

	General	Other Governmental	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	$1,795,600	$24,709	$1,820,309
Accrued Interest Receivable	14	0	14
Intergovernmental Receivable	195,841	14,427	210,268
Interfund Receivable	5,810	0	5,810
Prepaid Items	6,683	74	6,757
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	1,043	0	1,043
Total Assets	$2,004,991	$39,210	$2,044,201
Liabilities			
Accounts Payable	$9,619	$500	$10,119
Accrued Wages and Benefits Payable	719,245	13,814	733,059
Intergovernmental Payable	169,751	5,189	174,940
Interfund Payable	0	5,810	5,810
Total Liabilities	898,615	25,313	923,928
Deferred Inflows of Resources:			
Unavailable Revenue	14	8,150	8,164
Fund Balances:			
Nonspendable	7,726	74	7,800
Restricted	0	16,505	16,505
Assigned	47,228	0	47,228
Unassigned (Deficit)	1,051,408	(10,832)	1,040,576
Total Fund Balances	1,106,362	5,747	1,112,109
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$2,004,991	$39,210	$2,044,201

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances		$1,112,109
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,091
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accrued Interest Receivable	14	
Intergovernmental Receivable	8,150	
		8,164
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(336,886)
The net pension/OPEB liability (asset) is not due and payable in the current period; therefore, the asset, liability and related deferred outflows/inflows are not reported in the governmental funds.		
Net OPEB Asset	528,529	
Deferred Outflows - Pension	1,857,100	
Deferred Inflows - Pension	(322,013)	
Net Pension Liability	(10,140,411)	
Deferred Outflows - OPEB	350,318	
Deferred Inflows - OPEB	(1,215,477)	
Net OPEB Liability	(957,848)	
		(9,899,802)
Net Position of Governmental Activities		($9,094,324)

See Accompanying Notes to the Basic Financial Statements

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

	General	Other Governmental	Total Governmental Funds
Revenues:			
Intergovernmental	$325,710	$276,213	$601,923
Interest	3,369	0	3,369
Tuition and Fees	5,467,140	0	5,467,140
Extracurricular Activities	0	350	350
Customer Services	1,366,791	0	1,366,791
Gifts and Donations	100	57,280	57,380
Miscellaneous	206,742	0	206,742
Total Revenues	7,369,852	333,843	7,703,695
Expenditures:			
Current:			
Instruction:			
Regular	40,822	0	40,822
Special	3,297,207	226,467	3,523,674
Support Services:			
Pupils	1,748,721	70,450	1,819,171
Instructional Staff	682,944	50,823	733,767
Board of Education	62,000	0	62,000
Administration	965,250	800	966,050
Fiscal	279,432	0	279,432
Operation and Maintenance of Plant	180,392	0	180,392
Central	10,161	1,800	11,961
Extracurricular Activities	0	990	990
Total Expenditures	7,266,929	351,330	7,618,259
Changes in Fund Balances	102,923	(17,487)	85,436
Fund Balances at Beginning of Year	1,003,439	23,234	1,026,673
Fund Balances at End of Year	$1,106,362	$5,747	$1,112,109

See Accompanying Notes to the Basic Financial Statements

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

Changes in Fund Balances - Total Governmental Funds		$85,436
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.		
Capital Outlay - Depreciable Capital Assets	5,711	
Depreciation	(6,216)	
		(505)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Intergovernmental	4,831	
Interest	(828)	
		4,003
Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		53,640
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	(1,272,006)	
OPEB	48,006	
		(1,224,000)
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	738,052	
OPEB	28,806	
		766,858
Change in Net Position of Governmental Activities		($314,568)

See Accompanying Notes to the Basic Financial Statements

Hancock County Educational Service Center
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2021

	Custodial Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	$546
Net Position:	
Restricted for Individuals, Organizations, and other Governments	$546

See Accompanying Notes to the Basic Financial Statements

Note 1 - Reporting Entity

The Hancock County Educational Service Center (the “Educational Service Center”) is located in Findlay, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Arcadia, Arlington, Cory Rawson, Liberty Benton, McComb, Riverdale, Van Buren, and Vanlue Local School Districts and the Findlay City School District. The Educational Service Center furnishes these services to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has thirteen administrators, seventy-one classified employees, and sixty certified teaching personnel that provide services to the local and city school districts.

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

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

The Educational Service Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Hancock County Local Professional Development Committee, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Educational Service Center that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the Educational Service Center has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service 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 requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

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

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The Educational Service Center did not have any trust funds in fiscal year 2021. The Educational Service Center's custodial funds are used to account for resources held on behalf of the Hancock County Local Professional Development Committee and the Family Month Task Force.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Educational Service Center are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, 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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

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 and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: grants, interest, tuition, fees, and customer services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Note 12 and Note 13 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 until that time. For the Educational Service Center, deferred inflows of resources includes unavailable revenue, pension, and OPEB. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue consists of accrued interest and intergovernmental revenue including grants. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 14. Deferred inflows of resources related to pension and OPEB are reported on the government wide statement of net position and explained in Note 12 and Note 13 to the basic financial statements.

Expenses/Expenditures

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

During fiscal year 2021, the Educational Service Center invested in negotiable certificates of deposit and STAR Ohio. Negotiable certificates of deposit are reported at fair value. Fair value is based on quoted market price. 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The Educational Service Center measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million 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 this purpose.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2021 was $3,369 which includes $75 assigned from other Educational Service Center funds.

Investments of the Educational Service Center's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions. Unclaimed monies that have a legal restriction on their expenditure are reported as restricted.

Note 2 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

All of the Educational Service Center's capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The Educational Service Center maintains a capitalization threshold of seven hundred fifty dollars. The Educational Service Center does not have any infrastructure. Improvements are capitalized.

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

Description	Useful Lives
Buildings and Building Improvements	25 years
Furniture, Fixtures, and Equipment	5-15 years

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or unpaid amounts for interfund services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

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 Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

Note 2 - Summary of Significant Accounting Policies (continued)

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. The 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 to pay those benefits.

L. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position represents federal and state grants. The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

N. Pension/Other Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, 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 systems. 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 systems report investments at fair value.

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Note 2 - Summary of Significant Accounting Policies (continued)

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

P. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2021, the Educational Service Center implemented GASB Implementation Guide No. 2019-1. These changes were incorporated in the Educational Service Center's fiscal year 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2021, the Miscellaneous State Grants and the ESSER Extended Learning Grant special revenue funds had deficit fund balances, in the amount of $5,270 and $5,562, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Deposits and Investments

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

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

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

Note 5 - Deposits and Investments (continued)

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

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

Interim monies held by the Educational Service Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Note 5 - Deposits and Investments (continued)

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

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

Investments

As of June 30, 2021, the Educational Service Center had the following investments:

Measurement/ Investment	Measurement Amount	Maturity
Fair Value - Level Two Inputs		
Negotiable Certificates of Deposit	$99,906	3/11/2024
Net Asset Value Per Share		
STAR Ohio	1,307,456	54.4 days average
Total Investments	$1,407,362	

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Educational Service Center's recurring fair value measurements as of June 30, 2021. The negotiable certificates of deposit are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the Educational Service Center.

The negotiable certificates of deposit are generally covered by SIPC insurance. STAR Ohio carries a rating of AAA by Standard and Poor's. The Educational Service Center has no investment policy dealing with credit risk beyond the requirements of State statute. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 - Deposits and Investments (continued)

Negotiable certificates of deposit make up 7 percent of the Educational Service Center's total portfolio.

Note 6 - State Funding

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's school districts based on each school district's total student count. The State Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Educational Service Center also receives funding from the State Department of Education, in the amount of $26 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the Educational Service Center an amount equal to $6.50 multiplied by the Educational Service Center's total student count and remits this amount to the Educational Service Center.

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

Note 7 - Receivables

Receivables at June 30, 2021, included accrued interest, intergovernmental, and interfund receivables. All receivables are considered collectible in full and within one year due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Various School Districts	$183,157
State of Ohio	7,238
Hancock County Commissioners	5,446
Total General Fund	195,841
Other Governmental Funds	
Miscellaneous State Grants	8,865
ESSER Extended Learning Grant	5,562
Total Other Governmental Funds	14,427
Total Intergovernmental Receivables	$210,268

Note 8 - Capital Assets

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

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Governmental Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	$61,711	$0	$0	$61,711
Furniture, Fixtures, and Equipment	174,566	5,711	0	180,277
Total Depreciable Capital Assets	236,277	5,711	0	241,988
Less Accumulated Depreciation				
Buildings and Building Improvements	(52,508)	(995)	0	(53,503)
Furniture, Fixtures, and Equipment	(161,173)	(5,221)	0	(166,394)
Total Accumulated Depreciation	(213,681)	(6,216)	0	(219,897)
Governmental Activities Capital Assets, Net	$22,596	($505)	$0	$22,091

Note 8 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$995
Special	3,237
Support Services:	
Pupils	62
Instructional Staff	777
Administration	541
Fiscal	604
Total Depreciation Expense	$6,216

Note 9 - Interfund Receivables/Payables

At June 30, 2021, the General Fund had an interfund receivable, in the amount of $5,810, from other governmental funds to provide cash flow resources until the receipt of grant monies. This amount is expected to be repaid within one year.

Note 10 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by the Schools of Ohio Risk Sharing Authority	
General Liability	
Per Occurrence	$15,000,000
Total per Year	17,000,000
Auto Liability	15,000,000
Commercial Property (District Limit)	615,647

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

For fiscal year 2021, the Educational Service Center participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

Note 10 - Risk Management (continued)

The Educational Service Center participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Educational Service Center pays monthly premiums to the Fund for employee medical, dental, and vision insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The Educational Service Center participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 11 - Contractual Commitments

At fiscal year end, the General Fund had $54,649 of encumbrances expected to be honored upon performance by the vendor in fiscal year 2022.

Note 12 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 have already occurred.

Note 12 - Defined Benefit Pension Plans (continued)

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Note 12 - Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows.

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

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

The Educational Service Center's contractually required contribution to SERS was $220,823 for fiscal year 2021. Of this amount, $36,839 is reported as an intergovernmental payable.

Note 12 - Defined Benefit Pension Plans (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Educational Service Center licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age sixty or thirty years of service credit at any age.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

Note 12 - Defined Benefit Pension Plans (continued)

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP 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 DCP 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. For the fiscal year ended June 30, 2021, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contribution to STRS was $517,229 for fiscal year 2021. Of this amount, $96,295 is reported as an intergovernmental payable.

Pension Liability, Pension Expense, 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 Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04367980%	0.02921717%	
Current Measurement Date	0.04329850%	0.03007283%	
Change in Proportionate Share	0.00038130%	0.00085566%	
Proportionate Share of the Net Pension Liability	$2,863,854	$7,276,557	$10,140.411
Pension Expense	$274,397	$997,609	$1,272,006

Note 12 - Defined Benefit Pension Plans (continued)

At June 30, 2021, the Educational Service 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	$5,563	$16,327	$21,890
Changes of Assumptions	0	390,611	390,611
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	181,797	353,860	535,657
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	0	170,890	170,890
Educational Service Center Contributions Subsequent to the Measurement Date	220,823	517,229	738,052
Total Deferred Outflows of Resources	$408,183	$1,448,917	$1,857,100
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$0	$46,528	$46,528
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	39,293	236,192	275,485
Total Deferred Inflows of Resources	$39,293	$282,720	$322,013

$738,052 reported as deferred outflows of resources related to pension resulting from Educational Service 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2022	($34,989)	$216,866	$181,877
2023	50,361	53,843	104,204
2024	75,777	184,394	260,171
2025	56,918	193,865	250,783
Total	$148,067	$648,968	$797,035

Note 12 - 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 the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

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

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

Note 12 - Defined Benefit Pension Plans (continued)

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	1.85%
U.S. Stocks	22.50	5.75
Non-U.S. Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	660
Multi-Asset Strategies	5.00	6.65
Total	100.00%	

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

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$3,923,130	$2,863,854	$1,975,101

Note 12 - 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 July 1, 2020, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

<u>Note 12 - Defined Benefit Pension Plans</u> (continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

Note 12 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's Proportionate Share of the Net Pension Liability	$10,360,547	$7,276,557	$4,663,128

Social Security

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2021, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The Educational Service Center contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten 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 sixty-five 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 State statute. The financial report of the Plan is included in the SERS Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Note 13 - Defined Benefit OPEB Plans (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2021, the Educational Service Center's surcharge obligation was $28,806.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The Educational Service Center's contribution to SERS for health care was $28,806 for fiscal year 2021. Of this amount, $28,806 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

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

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

Note 13 - Defined Benefit OPEB Plans (continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	.04461900%	.02921717%	
Current Measurement Date	.04407290%	.03007283%	
Change in Proportionate Share	.00054610%	.00085566%	
Proportionate Share of the			
Net OPEB Liability	$957,848	$0	$957,848
Net OPEB Asset	$0	$528,529	$528,529
OPEB Expense	($14,231)	($33,775)	$48,006

At June 30, 2021, the Educational Service 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	$12,581	$33,865	$46,446
Changes of Assumptions	163,280	8,725	172,005
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	10,792	18,523	29,315
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	57,072	16,674	73,746
Educational Service Center Contributions Subsequent to the Measurement Date	28,806	0	28,806
Total Deferred Outflows of Resources	$272,531	$77,787	$350,318
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$487,133	$105,275	$592,408
Changes of Assumptions	24,126	502,014	526,140
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	0	0
Changes in Proportionate Share and Difference Between Educational Service Center Contributions and Proportionate Share of Contributions	64,686	32,243	96,929
Total Deferred Inflows of Resources	$575,945	$639,532	$1,215,477

Note 13 - Defined Benefit OPEB Plans (continued)

$28,806 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2022	($62,091)	($138,831)	($200,922)
2023	(61,310)	(126,293)	(187,603)
2024	(61,437)	(121,896)	(183,333)
2025	(70,276)	(124,340)	(194,616)
2026	(57,628)	(25,044)	(82,672)
Thereafter	(19,478)	(25,341)	(44,819)
Total	($332,220)	($561,745)	($893,965)

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 modification 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.

Note 13 - 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, 2020, are presented below.

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten 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 SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Note 13 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2020, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rates. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) or one percentage point higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$1,172,383	$957,848	$787,294

	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
Educational Service Center's Proportionate Share of the Net OPEB Liability	$754,233	$957,848	$1,230,135

Note 13 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

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

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Note 13 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS 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 of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Educational Service Center's Proportionate Share of the Net OPEB Asset	$459,855	$528,529	$586,797

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB Asset	$583,180	$528,529	$461,957

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from Board policy and State laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation time.

Classified and certified employees and administrators earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty-five days for eligible personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of thirty days. After the thirty-day maximum is achieved, employees are paid one additional day for each year of service with the Educational Service Center, up to a total maximum of forty-eight days. An employee's severance pay is pro-rated if they have not served five years with the Educational Service Center.

Note 14 - Other Employee Benefits (continued)

B. Health Care Benefits

The Educational Service Center provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. Depending upon the plan chose, the employees share the cost of the monthly premium with the Board. The Educational Service Center also offers life insurance to all employees through the Ohio Schools Council Association Life Insurance Company.

Note 15 - Long-Term Obligations

Changes in the Educational Service Center's long-term obligations during fiscal year 2021 were as follows:

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21	Amounts Due Within One Year
Governmental Activities					
Net Pension Liability					
SERS	$2,613,439	$250,415	$0	$2,863,854	$0
STRS	6,461,203	815,354	0	7,276,557	0
Total Net Pension Liability	9,074,642	1,065,769	0	10,140,411	0
Net OPEB Liability					
SERS	1,122,074	0	164,226	957,848	0
Compensated Absences	390,526	23,937	77,577	336,886	18,786
Total Governmental Activities	$10,587,242	$1,089,706	$241,803	$11,435,145	$18,786

There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund and the Other Local Grants, Miscellaneous State Grants, ESSER Extended Learning Grant, and Miscellaneous Federal Grants special revenue funds.

Compensated absences will be paid from the General Fund.

Note 16 - Fund Balance

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

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Prepaid Items	$6,683	$74	$6,757
Unclaimed Monies	1,043	0	1,043
Total Nonspendable	7,726	74	7,800
Restricted for:			
Regular Instruction	0	9,576	9,576
School Safety	0	2,675	2,675
Special Instruction	0	2,158	2,158
Student Activities	0	2,096	2,096
Total Restricted	0	16,505	16,505
Assigned for:			
Non-Instructional Activities	62	0	62
Unpaid Obligations	47,166	0	47,166
Total Assigned	47,228	0	47,228
Unassigned (Deficit)	1,051,408	(10,832)	1,040,576
Total Fund Balance	$1,106,362	$5,747	$1,112,109

Note 17 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The Educational Service Center is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2021, the Educational Service Center paid $13,657 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

Note 17 - Jointly Governed Organizations (continued)

B. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a thirteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

Note 18 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a nine member board consisting of Superintendents, Treasurers, and Business Managers. Willis Pooling is contracted to provide reinsurance brokerage, underwriting, rating, billing, consulting services, and establishing agreements between SORSA and its members. Financial information can be obtained by contacting SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

B. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Plan is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Plan.

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 19 - Contingencies

A. Grants

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

B. Litigation

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

Note 20 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 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 2021, the Educational Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 21 - Subsequent Event

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

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

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net Pension Liability	0.04329850%	0.43679800%	0.04619720%	0.04168670%
Educational Service Center's Proportionate Share of the Net Pension Liability	$2,863,854	$2,613,439	$2,645,800	$2,490,689
Educational Service Center's Employee Payroll	$1,540,150	$1,495,563	$1,486,281	$1,338,036
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	185.95%	174.75%	178.01%	186.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.04533470%	0.05281740%	0.05145300%	0.04533470%
$3,318,082	$3,013,812	$2,604,007	$3,059,745
$1,410,564	$1,553,293	$1,400,771	$1,270,382
235.23%	194.03%	185.90%	240.85%
62.98%	69.16%	71.70%	65.52%

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

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net Pension Liability	0.03007283%	0.02921717%	0.03039927%	0.03151749%
Educational Service Center's Proportionate Share of the Net Pension Liability	$7,276,557	$6,461,203	$6,684,117	$7,487,048
Educational Service Center's Employee Payroll	$3,673,729	$3,402,836	$3,414,721	$3,429,807
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	198.07%	189.88%	195.74%	218.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.30842120%	0.02905736%	0.03264718%	0.03264718%
$10,323,787	$8,030,605	$7,940,924	$9,459,177
$3,334,179	$3,027,143	$3,384,046	$2,990,685
309.64%	265.29%	234.66%	316.29%
66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net OPEB Liability	0.04407290%	0.04461900%	0.04654210%	0.04237710%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$957,848	$1,122,074	$1,291,203	$1,137,290
Educational Service Center's Employee Payroll	$1,540,150	$1,495,563	$1,486,281	$1,338,036
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	62.19%	75.03%	86.87%	85.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017
0.04594370%
$1,309,565
$1,410,564
92.84%
11.49%

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

	2021	2020	2019	2018
Educational Service Center's Proportion of the Net OPEB Liability (Asset)	0.30072830%	0.02921717%	0.03039927%	0.03151749%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	($528,529)	($483,905)	($488,485)	$1,229,697
Educational Service Center's Employee Payroll	$3,673,729	$3,402,836	$3,414,721	$3,429,807
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.39%	-14.22%	-14.31%	35.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%

(1) Information prior to 2017 is not available.

Amounts presented as of the Educational Service Center's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017
0.03084212%
$1,649,445
$3,334,179
49.47%
37.30%

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	$220,823	$215,621	$201,901	$200,648
Contributions in Relation to the Contractually Required Contribution	(220,823)	(215,621)	(201,901)	(200,648)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll (1)	$1,577,307	$1,540,150	$1,495,563	$1,486,281
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.50%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	$28,806	$24,256	$34,036	$31,131
Contributions in Relation to the Contractually Required Contribution	(28,806)	(24,256)	(34,036)	(31,131)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	1.83%	1.57%	2.28%	2.09%
Total Contributions as a Percentage of Employee Payroll (2)	18.17%	15.57%	15.78%	15.59%

(1) The Educational Service Center's covered payroll is the same for Pension and OPEB
(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014	2013	2012
$187,325	$197,479	$204,724	$194,147	$175,821	$164,073
(187,325)	(197,479)	(204,724)	(194,147)	(175,821)	(164,073)
$0	$0	$0	$0	$0	$0
$1,338,036	$1,410,564	$1,553,293	$1,400,771	$1,270,382	$1,219,874
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
$23,442	$23,256	$38,414	$25,114	$21,999	$23,819
(23,442)	(23,256)	(38,414)	(25,114)	(21,999)	(23,819)
$0	$0	$0	$0	$0	$0
1.75%	1.65%	2.47%	1.79%	1.73%	1.95%
15.75%	15.65%	15.65%	15.65%	15.57%	15.40%

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	$517,229	$514,322	$476,397	$478,061
Contributions in Relation to the Contractually Required Contribution	(517,229)	(514,322)	(476,397)	(478,061)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Educational Service Center Employee Payroll	$3,694,493	$3,673,729	$3,402,836	$3,414,721
Pension Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014	2013	2012
$480,173	$466,785	$423,800	$439,926	$388,789	$368,333
(480,173)	(466,785)	(423,800)	(439,926)	(388,789)	(368,333)
$0	$0	$0	$0	$0	$0
$3,429,807	$3,334,179	$3,027,143	$3,384,046	$2,990,685	$2,833,331
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
$0	$0	$0	$33,840	$29,907	$28,333
0	0	0	(33,840)	(29,907)	(28,333)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2021	2.45 percent
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2021	2.63 percent
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

Supplemental Section

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

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues:				
Intergovernmental			$325,710	
Interest			5,512	
Tuition and Fees			5,467,184	
Customer Services			1,348,706	
Gifts and Donations			100	
Miscellaneous			170,864	
Total Revenues			7,318,076	
Expenditures:				
Current:				
Instruction:				
Regular	80,642	80,642	54,857	25,785
Special	3,919,759	3,954,815	3,335,778	619,037
Support Services:				
Pupils	1,924,945	2,004,670	1,775,837	228,833
Instructional Staff	776,062	782,227	696,354	85,873
Board of Education	75,511	76,861	62,011	14,850
Administration	1,005,567	1,020,567	969,914	50,653
Fiscal	321,148	321,148	283,876	37,272
Operation and Maintenance of Plant	267,224	267,227	200,941	66,286
Pupil Transportation	4,000	4,000	0	4,000
Central	22,846	22,846	10,113	12,733
Total Expenditures	8,397,704	8,535,003	7,389,681	1,145,322
Excess of Revenues Under Expenditures	(8,397,704)	(8,535,003)	(71,605)	8,463,398
Other Financing Sources:				
Refund of Prior Year Expenditures	10,000	10,000	28,992	18,992
Changes in Fund Balance	(8,387,704)	(8,525,003)	(42,613)	8,482,390
Fund Balance at Beginning of Year	1,699,605	1,699,605	1,699,605	0
Prior Year Encumbrances Appropriated	90,906	90,906	90,906	0
Fund Balance at End of Year			$1,747,898	$8,482,390

See Accompanying Notes to the Supplemental Section

Note 1 - Budgetary Process

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The Educational Service Center's Board does not budget for resources estimated to be received during the fiscal year.

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

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

Note 2 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Note 2 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements are as follows:

Change in Fund Balance

	General Fund
GAAP Basis	$102,923
Increase (Decrease) Due to:	
Revenue Accruals:	
Accrued FY 2020, Received in Cash FY 2021	171,304
Accrued FY 2021, Not Yet Received in Cash	(195,841)
Expenditure Accruals:	
Accrued FY 2020, Paid in Cash FY 2021	(968,906)
Accrued FY 2021, Not Yet Paid in Cash	898,615
Cash Adjustments:	
Unrecorded Activity FY 2020	1,659
Unrecorded Activity FY 2021	94
Prepaid Items	2,188
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(54,649)
Budget Basis	($42,613)

OHIO AUDITOR OF STATE
KEITH FABER

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

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

Hancock County Educational Service Center
Hancock County
7746 County Road 140, Suite A
Findlay, Ohio 45840-1978

To 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 *(Government Auditing Standards)*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Hancock County Educational Service Center, Hancock County, Ohio (the Center) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 27, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Center.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Keith Faber
Auditor of State
Columbus, Ohio

April 27, 2023

OHIO AUDITOR OF STATE
KEITH FABER

HANCOCK COUNTY EDUCATIONAL SERVICE CENTER

HANCOCK 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 5/11/2023

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