



OHIO AUDITOR OF STATE
KEITH FABER



**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY
JUNE 30, 2022**

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MUSKINGUM COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (Educational Service Center), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements as listed in the Table of Contents.

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

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 Educational Service Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2022, the Educational Service Center modified its approach related to the eligibility requirement of certain grants resulting in a restatement of fund balance/net position at June 30, 2021. 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.

Efficient • Effective • Transparent

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Service Center'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 Educational Service Center's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Service Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedules of Net Pension and Other Post-Employment Benefit Assets/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 Educational Service Center's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual and the Schedule of Expenditures of Federal Awards 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 March 20, 2023, on our consideration of the Educational Service 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 Educational Service Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Educational Service Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 16, 2023

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Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The discussion and analysis of the Muskingum Valley 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 the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2022 are as follows:

- Net position of governmental activities increased \$4,129,778.
- General revenues accounted for \$1,194,222 in revenue or 6 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$18,143,208, or 94 percent of total revenues of \$19,337,430.
- The Educational Service Center had \$15,207,652 in expenses related to governmental activities; program specific charges for services and sales and grants and contributions and general revenues were adequate to support these programs.

Using the Basic Financial Statements

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

The Statement of Net Position and 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 the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other non-major funds presented in total in one column.

Reporting the Educational Service Center as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for School Districts, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

These two statements report the Educational Service Center's net position and changes in position. This change in net position is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Position and the Statement of Activities, all of the Educational Service Center's activities are reported as governmental including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major fund begins on page 11. Fund financial reports provide detailed information about the Educational Service Center's major fund. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Tele-Mental Health Grant Special Revenue Fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The Educational Service Center does not have any proprietary funds.

Fiduciary Funds – The Educational Service Center has an external investment pool that accounts for all the fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding." The Educational Service Center also has custodial funds. Custodial funds are custodial in nature (assets equaling liabilities) and do not involve measurements of results of operations. Fiduciary funds are excluded from the other financial statements because their assets are not available to the Educational Service Center to finance operations. Fiduciary funds use the accrual basis of accounting.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The Educational Service Center as a Whole

Recall that the Statement of Net Position provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position for governmental activities for 2022 compared to 2021, which has been restated. See Note 3 for more information.

Table 1
Net Position

	2022	(Restated) 2021	Change
Assets			
Current and Other Assets	\$8,249,738	\$8,424,798	(\$175,060)
Capital Assets	677,469	585,800	91,669
Total Assets	<u>8,927,207</u>	<u>9,010,598</u>	<u>(83,391)</u>
Deferred Outflows of Resources			
Pension	4,473,742	4,429,182	44,560
OPEB	771,376	1,087,222	(315,846)
Total Deferred Outflows	<u>5,245,118</u>	<u>5,516,404</u>	<u>(271,286)</u>
Liabilities			
Current and Other Liabilities	2,958,781	3,353,363	(394,582)
Long-Term Liabilities:			
Due Within One Year	14,309	14,028	281
Due In More Than One Year:			
Net Pension Liability	12,310,713	27,175,743	(14,865,030)
Net OPEB Liability	1,945,445	2,777,897	(832,452)
Other Amounts	1,309,764	1,263,405	46,359
Total Liabilities	<u>18,539,012</u>	<u>34,584,436</u>	<u>(16,045,424)</u>
Deferred Inflows of Resources			
Pension	13,641,738	2,308,601	11,333,137
OPEB	3,981,587	3,753,755	227,832
Total Deferred Inflows of Resources	<u>17,623,325</u>	<u>6,062,356</u>	<u>11,560,969</u>
Net Position (Deficit)			
Net Investment in Capital Assets	422,872	317,175	105,697
Restricted	131,453	329,152	(197,699)
Unrestricted (Deficit)	<u>(22,544,337)</u>	<u>(26,766,117)</u>	<u>4,221,780</u>
Total Net Position (Deficit)	<u>(\$21,990,012)</u>	<u>(\$26,119,790)</u>	<u>\$4,129,778</u>

Muskingum Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Unaudited

The net pension liability (NPL) is the largest single liability reported by the Educational Service Center at June 30, 2022. 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 healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets decreased \$83,391. Current assets decreased by \$175,060, primarily due to decreases in equity in pooled cash and cash equivalents, primarily due to tele-mental health grant proceeds, which have started to be earned and spent. This decrease was offset by a slight increase in capital assets, as capital asset additions exceeded annual depreciation and disposals.

Total liabilities decreased \$16,045,424. Long-term liabilities decreased \$15,650,842 primarily due to the decrease in the net pension liability due to the changes in assumptions offset by changes in net investment income. Current and other liabilities decreased \$394,582 primarily due to recognizing unearned revenue related to the tele-mental health grant, as well as decreases in accrued wages and benefits payable.

The Educational Service Center's deferred inflows of resources increased \$11,560,969, primarily due to the previously mentioned change in the net difference between projected and actual earnings on pension plan investments.

Table 2 shows the changes in net position for governmental activities for the fiscal year ended June 30, 2022, and comparisons to fiscal year 2021, which has been restated. See Note 3 for more information.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 2
Changes in Net Position

Revenues	2022	2021	Change
Program Revenues:			
Charges for Services and Sales	\$13,034,384	\$13,764,761	(\$730,377)
Operating Grants and Contributions	5,108,824	4,489,800	619,024
Total Program Revenues	<u>18,143,208</u>	<u>18,254,561</u>	<u>(111,353)</u>
General Revenues:			
Grants and Entitlements	633,754	792,131	(158,377)
Investment Earnings	(4,345)	14,700	(19,045)
Miscellaneous	564,813	457,428	107,385
Total General Revenues	<u>1,194,222</u>	<u>1,264,259</u>	<u>(70,037)</u>
Total Revenues	<u>19,337,430</u>	<u>19,518,820</u>	<u>(181,390)</u>
Program Expenses			
Instruction:			
Regular	718,242	786,435	(68,193)
Special	4,841,449	5,840,679	(999,230)
Student Intervention Services	996,878	1,281,942	(285,064)
Support Services:			
Pupils	3,698,700	4,601,088	(902,388)
Instructional Staff	2,720,333	4,335,425	(1,615,092)
Board of Education	20,252	19,968	284
Administration	999,564	815,455	184,109
Fiscal	499,125	521,713	(22,588)
Operation and Maintenance of Plant	133,501	121,912	11,589
Pupil Transportation	24,318	16,102	8,216
Central	463,655	735,279	(271,624)
Operation of Non-Instructional Services:			
Community Services	74,050	103,881	(29,831)
Extracurricular Activities	12,212	42,645	(30,433)
Interest and Fiscal Charges	5,373	0	5,373
Total Expenses	<u>15,207,652</u>	<u>19,222,524</u>	<u>(4,014,872)</u>
Change in Net Position	4,129,778	296,296	3,833,482
Net Position (Deficit) at Beginning of Year	<u>(26,119,790)</u>	<u>(26,416,086)</u>	<u>296,296</u>
Net Position (Deficit) at End of Year	<u><u>(\$21,990,012)</u></u>	<u><u>(\$26,119,790)</u></u>	<u><u>\$4,129,778</u></u>

The Educational Service Center provides special instruction, pupil support, and instructional support services to its member districts and, in some cases, districts outside its service region. Charges for services are modeled to cover the cost of the service plus an administrative fee. As economic conditions warrant, the Educational Service Center adjusts its expenditures and charges for services to maintain expenditures within its resources.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The primary sources of revenue for the Educational Service Center are derived from charges for services provided to contracting school districts, which represent approximately 67 percent of total revenues. Charges for services and sales program revenue decreased \$730,377 from the prior year, primarily due to a decrease in revenues received for services provided to member districts.

Special instruction program expense accounted for approximately 32 percent of total program expenses. Support services program expenses for pupils accounted for 24 percent of total program expenses. Support services program expenses for instructional staff accounted for 18 percent. Program expenses decreased \$4,014,872 from the prior year. The decrease is primarily due to decreases in pension and OPEB expense.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions, offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by unrestricted entitlements.

Table 3
Governmental Activities

	2022 Total Cost of Services	2022 Net Cost of Services	2021 Total Cost of Services	2021 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$718,242	(\$120,509)	\$786,435	(\$216,543)
Special	4,841,449	(1,799,816)	5,840,679	(1,654,379)
Student Intervention Services	996,878	(579,973)	1,281,942	(43,061)
Support Services:				
Pupils	3,698,700	(614,168)	4,601,088	1,071,896
Instructional Staff	2,720,333	(79,514)	4,335,425	1,285,911
Board of Education	20,252	20,252	19,968	19,968
Administration	999,564	457,538	815,455	425,275
Fiscal	499,125	(291,726)	521,713	(334,799)
Operation and Maintenance of Plant	133,501	48,810	121,912	25,674
Pupil Transportation	24,318	29	16,102	2,799
Central	463,655	86,567	735,279	239,156
Operation of Non-Instructional Services:				
Community Services	74,050	(68,919)	103,881	(16,837)
Extracurricular Activities	12,212	500	42,645	(2,251)
Interest and Fiscal Charges	5,373	5,373	0	0
Totals	\$15,207,652	(\$2,935,556)	\$19,222,524	\$802,809

The Educational Service Center relies on program revenues to support its operations, which were sufficient in fiscal year 2022.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The Educational Service Center's Major Funds

The Educational Service Center's funds are accounted for using the modified accrual basis of accounting. The Educational Service Center has two major funds, the General Fund, and the Tele-Health Grant Special Revenue Fund. The General Fund had total revenues of \$14,345,466, a decrease of \$593,505 from the prior year, largely due to decreases in tuition and fees and charges for services. The General Fund had total expenditures of \$14,114,056, an increase of \$421,211 as the Educational Service center adapts to operational costs necessary to align with the services provided to its members. The General Fund's balance increased \$231,410. The Tele-Health Grant Special Revenue Fund was advance funded its grant allocation prior to the end of fiscal year 2021. The programs to be funded by the grant are to be in place beginning in fiscal year 2022 and for subsequent years after. The Tele-Health Grant Fund reported no change in fund balance as the grant revenues are earned and recognized as the costs for the programs are incurred.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the Educational Service Center had \$677,469 invested in land and land improvements; buildings and improvements; and furniture, fixtures, and equipment. Table 4 shows fiscal year 2022 balances compared to 2021.

Table 4
Capital Assets at June 30, 2022
(Net of Depreciation)

	2022	2021
Land	\$10,840	\$10,840
Land Improvements	6,214	6,843
Buildings and Improvements	118,681	127,003
Intangible Right to Use - Buildings	251,125	268,625
Furniture, Fixtures, and Equipment	290,609	172,489
Totals	\$677,469	\$585,800

See Note 9 for more detailed information of the Educational Service Center's capital assets.

Debt

At June 30, 2022, the Educational Service Center had \$254,597 of leases payable, with \$14,309 due within one year. See Note 14 for more information on the Educational Service Center's long-term obligations, including sick leave benefits payable, net pension liability, and net OPEB liability.

Muskingum Valley Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Economic Factors

As the preceding information shows, the Educational Service Center relies heavily on contracts with its member school districts in Coshocton, Hocking, Morgan, Muskingum, Noble, Perry and Tuscarawas Counties. Existing contracts with member districts and carryover balances will fund the Educational Service Center's operations during fiscal year 2022. However, the future financial health of the Educational Service Center presents certain challenges.

General Fund revenue is generated by two primary means: state funding and fees for services. State funding has declined as a percentage of the total revenue budget throughout the course of the Educational Service Center's existence. As a comparison of changes in state funding over time, in fiscal year 1998, state funds accounted for 70 percent of total General Fund revenue. For fiscal year 2022, state will account for only 6 percent of the General Fund's total revenues. The Educational Service Center uses its State Funding to offset administrative costs. As the State of Ohio continues to reduce the educational service center funding, the Educational Service Center must search for ways to fund its administrative costs by either raising administrative fees charged for services or serving as the fiscal agent for additional programs and grants.

Another challenge the Educational Service Center faces is the financial circumstances of its member districts. With the uncertainty of adequate State Funding, districts may not be able to continue with existing Educational Service Center services or obtain additional Educational Service Center services. As the State of Ohio reduces educational service center funding, the Educational Service Center customers will be faced with higher participation and service fees.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, districts, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information please contact Danielle Devoll, Treasurer at the Muskingum Valley Educational Service Center, 205 North 7th Street, Zanesville, Ohio 43701. You may also email the treasurer at danielle.devoll@mvesc.org.

Muskingum Valley Educational Service Center, Ohio

Statement of Net Position

June 30, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,839,858
Inventory Held for Resale	19,824
Accrued Interest Receivable	2,367
Intergovernmental Receivable	1,741,889
Prepaid Items	223,907
Net OPEB Asset	1,421,893
Nondepreciable Capital Assets	10,840
Depreciable Capital Assets, Net	666,629
<i>Total Assets</i>	8,927,207
Deferred Outflows of Resources	
Pensions	4,473,742
OPEB	771,376
<i>Total Deferred Outflows of Resources</i>	5,245,118
Liabilities	
Accounts Payable	94,515
Accrued Wages and Benefits Payable	1,579,618
Vacation Benefits Payable	45,270
Matured Compensated Absences Payable	7,698
Intergovernmental Payable	271,926
Unearned Revenue	959,754
Long-Term Liabilities:	
Due within One Year	14,309
Due in More than One Year:	
Net Pension Liability	12,310,713
Net OPEB Liability	1,945,445
Other Amounts	1,309,764
<i>Total Liabilities</i>	18,539,012
Deferred Inflows of Resources	
Pensions	13,641,738
OPEB	3,981,587
<i>Total Deferred Inflows of Resources</i>	17,623,325
Net Position	
Net Investment in Capital Assets	422,872
Restricted for:	
Unclaimed Monies	4,826
State Grants	39
Federal Grants	1,635
Local Initiatives	124,953
Unrestricted (Deficit)	(22,544,337)
<i>Total Net Position</i>	(\$21,990,012)

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Statement of Activities

For the Fiscal Year Ended June, 30, 2022

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$718,242	\$805,403	\$33,348	\$120,509
Special	4,841,449	5,774,076	867,189	1,799,816
Student Intervention Services	996,878	904,042	672,809	579,973
Support Services:				
Pupils	3,698,700	3,575,778	737,090	614,168
Instructional Staff	2,720,333	786,124	2,013,723	79,514
Board of Education	20,252	0	0	(20,252)
Administration	999,564	261,916	280,110	(457,538)
Fiscal	499,125	668,205	122,646	291,726
Operation and Maintenance of Plant	133,501	11,950	72,741	(48,810)
Pupil Transportation	24,318	0	24,289	(29)
Central	463,655	157,225	219,863	(86,567)
Operation of Non-Instructional Services	74,050	78,612	64,357	68,919
Extracurricular Activities	12,212	11,053	659	(500)
Interest and Fiscal Charges	5,373	0	0	(5,373)
<i>Totals</i>	<u>\$15,207,652</u>	<u>\$13,034,384</u>	<u>\$5,108,824</u>	<u>2,935,556</u>
General Revenues				
				633,754
Grants and Entitlements not Restricted to Specific Programs				(4,345)
Investment Earnings				564,813
Miscellaneous				
<i>Total General Revenues</i>				<u>1,194,222</u>
<i>Change in Net Position</i>				4,129,778
<i>Net Position (Deficit) at Beginning of Year - Restated (Note 3)</i>				<u>(26,119,790)</u>
<i>Net Position (Deficit) at End of Year</i>				<u>(\$21,990,012)</u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

*Balance Sheet
Governmental Funds
June 30, 2022*

	General	Tele-Mental Health Grant	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,730,995	\$959,754	\$144,283	\$4,835,032
Receivables:				
Intergovernmental	293,221	0	1,448,668	1,741,889
Interfund	1,120,004	0	0	1,120,004
Accrued Interest	2,367	0	0	2,367
Prepaid Items	223,907	0	0	223,907
Inventory Held for Resale	19,824	0	0	19,824
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	4,826	0	0	4,826
<i>Total Assets</i>	<u>\$5,395,144</u>	<u>\$959,754</u>	<u>\$1,592,951</u>	<u>\$7,947,849</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	\$22,389	\$0	\$72,126	\$94,515
Accrued Wages and Benefits Payable	1,223,735	0	355,883	1,579,618
Interfund Payable	0	0	1,120,004	1,120,004
Matured Compensated Absences Payable	7,698	0	0	7,698
Intergovernmental Payable	213,169	0	58,757	271,926
Unearned Revenue	0	959,754	0	959,754
<i>Total Liabilities</i>	<u>1,466,991</u>	<u>959,754</u>	<u>1,606,770</u>	<u>4,033,515</u>
Deferred Inflows of Resources				
Unavailable Revenue	97,379	0	39,604	136,983
Fund Balances (Deficit)				
Nonspendable:				
Prepaid Items	222,492	0	0	222,492
Unclaimed Monies	4,826	0	0	4,826
Restricted for:				
State Grants	0	0	39	39
Federal Grants	0	0	1,131	1,131
Local Initiatives	0	0	124,953	124,953
Committed to:				
Encumbrances	31,412	0	0	31,412
Assigned to:				
Purchases on Order	109,457	0	0	109,457
School Support Services	290,974	0	0	290,974
Unassigned	3,171,613	0	(179,546)	2,992,067
<i>Total Fund Balances (Deficit)</i>	<u>3,830,774</u>	<u>0</u>	<u>(53,423)</u>	<u>3,777,351</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,395,144</u>	<u>\$959,754</u>	<u>\$1,592,951</u>	<u>\$7,947,849</u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2022*

Total Governmental Fund Balances		\$3,777,351
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		677,469
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Intergovernmental Revenues	39,604	
Charges for Services and Sales	95,012	
Interest Revenue	2,367	136,983
The net pension liability, net OPEB asset, and net OPEB liability is not due and payable in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in the governmental funds:		
Net OPEB Asset	1,421,893	
Deferred Outflows - Pension	4,473,742	
Deferred Inflows - Pension	(13,641,738)	
Net Pension Liability	(12,310,713)	
Deferred Outflows - OPEB	771,376	
Deferred Inflows - OPEB	(3,981,587)	
Net OPEB Liability	(1,945,445)	(25,212,472)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Lease Payable	(254,597)	
Vacation Benefits Payable	(45,270)	
Sick Leave Benefits Payable	(1,069,476)	(1,369,343)
 <i>Net Position (Deficit) of Governmental Activities</i>		 <u><u>(\$21,990,012)</u></u>

See accompanying notes to the basic financial statements

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

	General	Tele-Mental Health	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental	\$689,909	\$190,246	\$5,101,427	\$5,981,582
Investment Earnings	(4,212)	0	0	(4,212)
Tuition and Fees	9,079,568	0	0	9,079,568
Charges for Services	3,991,810	0	1,195	3,993,005
Extracurricular Activities	11,053	0	0	11,053
Rent	11,950	0	0	11,950
Gifts and Donations	625	0	0	625
Miscellaneous	564,763	0	50	564,813
<i>Total Revenues</i>	<u>14,345,466</u>	<u>190,246</u>	<u>5,102,672</u>	<u>19,638,384</u>
Expenditures				
Current:				
Instruction:				
Regular	824,742	0	29,583	854,325
Special	5,448,710	0	702,220	6,150,930
Student Intervention Services	982,875	0	598,737	1,581,612
Support Services:				
Pupils	3,775,973	139,657	718,224	4,633,854
Instructional Staff	1,312,889	0	2,103,464	3,416,353
Board of Education	21,720	0	0	21,720
Administration	749,297	0	282,891	1,032,188
Fiscal	515,225	46,805	76,328	638,358
Operation and Maintenance of Plant	71,473	0	81,378	152,851
Pupil Transportation	2,703	0	21,615	24,318
Central	320,563	3,763	206,664	530,990
Operation of Non-Instructional Services	56,306	0	57,272	113,578
Extracurricular Activities	12,179	21	12	12,212
Debt Service:				
Principal Retirement	14,028	0	0	14,028
Interest and Fiscal Charges	5,373	0	0	5,373
<i>Total Expenditures</i>	<u>14,114,056</u>	<u>190,246</u>	<u>4,878,388</u>	<u>19,182,690</u>
<i>Net Change in Fund Balance</i>	231,410	0	224,284	455,694
<i>Fund Balances (Deficits)</i>				
<i>at Beginning of Year - Restated (Note 3)</i>	<u>3,599,364</u>	<u>0</u>	<u>(277,707)</u>	<u>3,321,657</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u><u>\$3,830,774</u></u>	<u><u>\$0</u></u>	<u><u>(\$53,423)</u></u>	<u><u>\$3,777,351</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds		\$455,694
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays:		
Capital Asset Additions	263,089	
Depreciation Expense	<u>(99,615)</u>	163,474
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		
		(71,805)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Intergovernmental Revenues	(239,629)	
Charges for Services and Sales	(61,192)	
Interest	<u>(133)</u>	(300,954)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Leases		14,028
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pensions	1,596,346	
OPEB	<u>64,430</u>	1,660,776
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities/asset are reported as pension/OPEB expense in the statement of activities.		
Pensions	1,980,107	
OPEB	<u>279,389</u>	2,259,496
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Vacation Benefits Payable	9,737	
Sick Leave Benefits Payable	<u>(60,668)</u>	<u>(50,931)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$4,129,778</u></u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

	Custodial	
	External Investment Pool	Other Custodial
Assets		
Equity in Pooled Cash and Cash Equivalents	\$721,862	\$0
Cash and Cash Equivalents in Segregated Accounts	0	2,955,189
Investments in Segregated Accounts	0	22,475,371
Accounts Receivable	0	18,608
Cash and Cash Equivalents with Fiscal Agents	40,363	0
<i>Total Assets</i>	<u>\$762,225</u>	<u>\$25,449,168</u>
Liabilities		
Accounts Payable	<u>\$40,363</u>	<u>\$18,608</u>
Net Position		
Held in Trust for Pool Participants	\$721,862	\$0
Restricted for Individuals, Organizations, and Other Governments	<u>0</u>	<u>25,430,560</u>
<i>Total Net Position</i>	<u><u>\$721,862</u></u>	<u><u>\$25,430,560</u></u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2022

	<u>Custodial</u>	
	<u>External Investment Pool</u>	<u>Other Custodial</u>
Additions		
Investment Earnings	\$0	\$202,701
Capital Transactions:		
Amounts Invested	731,825	
Amounts Distributed	(555,851)	
Net Capital Transactions	<u>175,974</u>	
Amounts Received as Fiscal Agent		<u>73,435,683</u>
<i>Total Additions</i>	<u>175,974</u>	<u>73,638,384</u>
Deductions		
Distributions as Fiscal Agent		<u>78,445,171</u>
<i>Total Deductions</i>	<u>0</u>	<u>78,445,171</u>
<i>Change in Fiduciary Net Position</i>	175,974	(4,806,787)
<i>Net Position Beginning of Year</i>	<u>545,888</u>	<u>30,237,347</u>
<i>Net Position End of Year</i>	<u><u>\$721,862</u></u>	<u><u>\$25,430,560</u></u>

See accompanying notes to the basic financial statements

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Muskingum Valley Educational Service Center (the Educational Service Center) is located in Zanesville, Ohio, the county seat. The Educational Service Center operates programs in Coshocton, Hocking, Morgan, Muskingum, Noble, Tuscarawas and Perry counties. The Educational Service Center provides supervisory, special education, administrative, cooperative classes, multi-handicapped programming, preschool, and other services to Caldwell Exempted Village School District, Crooksville Exempted Village, East Muskingum Local, Franklin Local, Logan-Hocking Local, Maysville Local, Morgan Local, New Lexington Local Schools, Northern Local, Ridgewood Local, River View Local, Newcomerstown Exempted Village Schools, Tri-Valley Local, West Muskingum Local, Coshocton City, Coshocton County Career Center, Mid-East Career and Technology Centers, and Zanesville City Schools. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Muskingum Valley Educational Service Center operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has 137 support staff employees and 135 certified personnel that provide services to the school districts.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Educational Service Center are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Muskingum Valley Educational Service Center, this includes general operations and student related activities.

The Educational Service Center participates in the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA), Coalition of Rural and Appalachian Schools, and the Ohio Coalition of Equity and Adequacy of School Funding, which are defined as jointly governed organizations. The Educational Service Center also participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, the Schools of Ohio Risk Sharing Authority, and the Ohio School Benefits Cooperative, which are defined as insurance purchasing pools. These organizations are presented in Notes 15 and 16.

Component Units

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 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 benefit to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Educational Service Center that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Educational Service Center has no business-type activities.

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

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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Governmental Funds Governmental funds are those through which most governmental functions typically 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, liabilities, and deferred inflows of resources is reported as fund balance. The following is a description of the Educational Service Center's major governmental funds:

General Fund The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

Tele-Mental Health Grant Special Revenue Fund The Tele-Mental Health Grant Special Revenue Fund accounts for and reports grant monies which are restricted for facilitating a project to provide telehealth and teletherapy services and equipment to rural school districts in Ohio.

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Educational Service Center has no proprietary funds.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The Educational Service Center has an external investment pool that accounts for all the fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding". The Educational Service Center's custodial fund accounts for the activity of the Ohio School Benefits Cooperative, which is a claims servicing and purchasing pool, both of which the Educational Service Center acts as the fiscal agent.

Measurement Focus

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

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on 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 investment trust, private purpose trust funds, and custodial funds.

Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within 60 days of fiscal year end.

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, provided the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: charges for services and sales, tuition and fees, and grants.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources 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 then. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Educational Service Center, deferred inflows of resources include pension, OPEB plans, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes tuition and fees, charges for services and sales, and grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

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

The purpose of 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.

Deposits and Investments

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds, excluding the agency funds, are maintained in these accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

The Educational Service Center has a segregated bank account for monies held separate from the Educational Service Center’s central bank account. This account maintains monies received in the Educational Service Center’s capacity as fiscal agent for the Ohio School Benefits Cooperative. This interest bearing depository account is presented on the financial statements as “Cash and Cash Equivalents in Segregated Accounts” since it is not deposited into the Educational Service Center treasury.

During fiscal year 2022, investments were limited to negotiable certificates of deposit, which are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 amounted to (\$4,212), which includes (\$3,686) assigned from other Educational Service Center funds.

Investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Receivables and Payables

Receivables and payables on the Educational Service Center’s financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of instructional materials held for resale.

Capital Assets

The Educational Service Center's only 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 of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets (except for intangible right-to-use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The Educational Service Center was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The Educational Service Center maintains a capitalization threshold of one-thousand dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-30 years
Buildings and Improvements	15-30 years
Furniture, Fixtures, and Equipment	3-15 years

The Educational Service Center is reporting intangible right to use assets related to leased buildings. 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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, since vacation time must be used within a year of being earned.

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 after ten years of service with one of the State retirement systems.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be paid.

Accrued Liabilities and Long-Term Obligations

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program 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.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Educational Service Center are reported as restricted.

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 fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those 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 the use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance 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. In the General Fund, assigned amounts represent intended uses established by the Board of Education or an Educational Service Center official delegated that authority by resolution or State Statute. State statute authorizes the Educational Service Center's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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

Net Position

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

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

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 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES AND NET POSITION

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. These changes were incorporated in the Educational Service Center's 2022 financial statements. The Educational Service Center also recognized \$268,625 in leases payable at July 1, 2021 which was offset by the intangible asset, right to use lease - buildings.

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 School District grants resulting in the following restatements to fund balance/net position at July 1, 2021:

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

	General	Tele-Mental Health Grant	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2021	\$3,599,364	\$0	(\$270,711)	\$3,328,653
Restatements:				
Intergovernmental Receivable	0	0	(165,154)	(165,154)
Unavailable Revenue	0	0	(158,158)	(158,158)
Fund Balance at July 1, 2021, Restated	<u>\$3,599,364</u>	<u>\$0</u>	<u>(\$277,707)</u>	<u>\$3,321,657</u>

	Governmental Activities
Net Position at June 30, 2021	<u>(\$25,954,636)</u>
Restatements:	
Intergovernmental Receivable	<u>(165,154)</u>
Net Position at July 1, 2021, Restated	<u>(\$26,119,790)</u>

NOTE 4 - FUND DEFICITS

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

Public School Preschool	\$44,872
Miscellaneous State Grants	5,924
Elementary and Secondary Schools Emergency Relief	9,054
Governor's Emergency Education Relief	4,549
Title I	196
EHA Preschool Handicap	50,536
Miscellaneous Federal Grants	64,415

The deficits were the result of the application of generally accepted accounting principles. 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 deposits are public deposits determined to be necessary to meet current demands on the 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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

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

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party.

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

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

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

Investments

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

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level 2 Inputs:				
Negotiable Certificates of Deposit	\$210,633	Less Than 1 Year	N/A	42.00%
Negotiable Certificates of Deposit	96,889	Less Than 2 Years	N/A	19.32%
Negotiable Certificates of Deposit	97,336	Less Than 4 Years	N/A	19.41%
Negotiable Certificates of Deposit	<u>96,608</u>	Less Than 5 Years	N/A	<u>19.27%</u>
<i>Total Investments</i>	<u><u>\$501,466</u></u>			<u><u>100.00%</u></u>

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 Educational Service Center investments measured at fair value 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).

At June 30, 2022, the Educational Service Center had investments with fiscal and escrow agents for the debt service sinking escrow account held by a fiscal agent.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Interest Rate Risk The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk The credit ratings for the Educational Service Center's securities are listed above. The Educational Service Center has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Educational Service Center has no investment policy dealing with investment custodial risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The Educational Service Center places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

NOTE 6 - STATE FUNDING

The 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 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 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 Service Center. The 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 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 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 Service Center.

The 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 Service Center.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 - INTERFUND BALANCES

Interfund balances at June 30, 2022, represent \$1,084,425 due to the General Fund from Special Revenue Funds for cash deficits and \$35,579 due to the General Fund from Special Revenue Funds for grant administration services.

	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$1,120,004</u>	<u>\$0</u>
Non-Major Special Revenue Funds:		
Other Grants	0	3,130
Public Preschool	0	108,992
Miscellaneous State Grants	0	106,207
Elementary and Secondary Schools Emergency Relief	0	109,731
Governor's Emergency Education Relief	0	146,789
21st Century	0	262,639
Special Education	0	263,136
Title I	0	3,616
EHA Preschool Handicap Grant	0	24,184
Miscellaneous Federal Grants	<u>0</u>	<u>91,580</u>
Total All Funds	<u><u>\$1,120,004</u></u>	<u><u>\$1,120,004</u></u>

NOTE 8 - RECEIVABLES

Receivables at June 30, 2022, consisted of accounts receivable (charges for services, excess costs), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Services Provided to School Districts	\$293,221
Early Childhood Education	210,450
ESSER-Family Engagements	47,323
ESC's to Support Structured Literacy	650
ESSER-RemotEDx Industry	37,277
Extended Learning and Recovery	46,786
ARP Homeless Round	2,120
Parent Mentor Project	6,239
21st Century	340,080
GEER	151,338
Striving Readers Comprehensive Literacy	7,243
IDEA Childhood Special Education Act	7,183
Early Literacy SSIP-IDEA	19,824
Individuals with Disabilities Education Act	362,673
Urban Regional Literacy	26,712
State Support	47,339
State Support Team- Transition	15,702
Student Assessment	54,383
Priority School Support	6,363
Early Literacy SSIP-ELSR	23,263
Early Learning Discretionary	5,777
CLSD Technical Support	23,290
OTES Grant	6,653
	<hr/>
Total Intergovernmental Receivable	<u>\$1,741,889</u>

NOTE 9 - CAPITAL ASSETS

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>Nondepreciable Capital Assets</u>				
Land	\$10,840	\$0	\$0	\$10,840
 <u>Depreciable Capital Assets</u>				
Land Improvements	10,359	0	0	10,359
Buildings and Improvements	323,514	0	0	323,514
Intangible Right to Use - Buildings	268,625	0	0	268,625
Furniture, Fixtures, and Equipment	1,012,121	263,089	(71,805)	1,203,405
Total Depreciable Capital Assets	<u>1,614,619</u>	<u>263,089</u>	<u>(71,805)</u>	<u>1,805,903</u>
 Less Accumulated Depreciation				
Land Improvements	(3,516)	(629)	0	(4,145)
Buildings and Improvements	(196,511)	(8,322)	0	(204,833)
Intangible Right to Use - Buildings	0	(17,500)	0	(17,500)
Furniture, Fixtures, and Equipment	(839,632)	(73,164)	0	(912,796)
Total Accumulated Depreciation	<u>(1,039,659)</u>	<u>(99,615) *</u>	<u>0</u>	<u>(1,139,274)</u>
 Depreciable Capital Assets, Net of Accumulated Depreciation				
	<u>574,960</u>	<u>163,474</u>	<u>(71,805)</u>	<u>666,629</u>
 Governmental Activities Capital Assets, Net				
	<u>\$585,800</u>	<u>\$163,474</u>	<u>(\$71,805)</u>	<u>\$677,469</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$387
Special	7,127
Student Intervention Services	16,023
Support Services:	
Pupils	662
Instructional Staff	5,140
Administration	58,740
Operation and Maintenance	7,252
Central	4,284
Total Depreciation Expense	<u>\$99,615</u>

** Of the current year depreciation total of \$99,615, \$17,500 is presented as general government expense on the Statement of Activities related to the Educational Service Center's intangible asset of a building, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board 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 10 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the Educational Service Center participated with other school districts in the Schools of Ohio Risk Sharing Authority (SORSA), a public entity insurance purchasing pool. Each individual school district enters into an agreement with SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to SORSA. (See Note 16)

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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

<u>Building and Contents (deductible waived)</u>	
Building	\$3,344,106
Personal Property	100,000
Valuable Paper and Records	1,000,000
Accounts Receivable	1,000,000
Extra Expense	1,000,000
Business Income	2,000,000
<u>Earthquake (\$50,000 deductible)</u>	
	2,000,000
<u>Crime Insurance (\$1,000 deductible)</u>	
Employee Theft	1,000,000
Forgery or Alteration	1,000,000
Computer Fraud	1,000,000
<u>Inland Marine (deductible waived)</u>	
Electronic Data Processing Media and Data Reproduction	1,250,000
<u>Fleet Insurance (deductible waived)</u>	
Automobile Liability (per occurrence)	15,000,000
Uninsured Motorists (per occurrence)	1,000,000
<u>General Liability (deductible waived)</u>	
Per Occurrence	15,000,000
Aggregate Limit	17,000,000
<u>Educational Legal Liability for General Liability (deductible waived)</u>	
Errors and Omissions	
Per Occurrence	15,000,000
Aggregate Limit	15,000,000

Settled claims have not exceeded coverage in any of the past four years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 2022, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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 already have 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 these estimates annually.

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

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

The 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 year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center’s contractually required contribution to SERS was \$508,007 for fiscal year 2022. Of this amount \$55,812 is reported as an intergovernmental payable.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 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 \$1,088,339 for fiscal year 2022. Of this amount \$127,434 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09995490%	0.06743887%	
Prior Measurement Date	<u>0.12635740%</u>	<u>0.07777259%</u>	
Change in Proportionate Share	<u>-0.02640250%</u>	<u>-0.01033372%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,688,047	\$8,622,666	\$12,310,713
Pension Expense	(\$1,226,331)	(\$753,775)	(\$1,980,106)

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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$356	\$266,399	\$266,755
Changes of assumptions	77,659	2,392,082	2,469,741
Changes in proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	0	140,900	140,900
Educational Service Center contributions subsequent to the measurement date	<u>508,007</u>	<u>1,088,339</u>	<u>1,596,346</u>
Total Deferred Outflows of Resources	<u>\$586,022</u>	<u>\$3,887,720</u>	<u>\$4,473,742</u>

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$95,646	\$54,046	\$149,692
Net difference between projected and actual earnings on pension plan investments	1,899,451	7,431,087	9,330,538
Changes in Proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	<u>1,329,045</u>	<u>2,832,463</u>	<u>4,161,508</u>
Total Deferred Inflows of Resources	<u>\$3,324,142</u>	<u>\$10,317,596</u>	<u>\$13,641,738</u>

\$1,596,346 reported as deferred outflows of resources related to pension resulting from Educational Service Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	(\$1,422,095)	(\$1,874,917)	(\$3,297,012)
2024	(789,395)	(1,801,668)	(2,591,063)
2025	(451,621)	(1,900,959)	(2,352,580)
2026	<u>(583,016)</u>	<u>(1,940,671)</u>	<u>(2,523,687)</u>
Total	<u>(\$3,246,127)</u>	<u>(\$7,518,215)</u>	<u>(\$10,764,342)</u>

Actuarial Assumptions - SERS

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

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

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.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 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 1 year and adjusted 94.20 percent for males and set forward 2 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 3 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 projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 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 (7.00 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 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Educational Service Center's proportionate share of the net pension liability	\$6,136,003	\$3,688,047	\$1,623,577

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:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.00 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 that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Educational Service Center's proportionate share of the net pension liability	\$16,147,025	\$8,622,666	\$2,264,598

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

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

Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 \$64,430.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center’s contractually required contribution to SERS was \$64,430 for fiscal year 2022. Of this amount \$64,430 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability (asset) was measured as of June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.10279320%	0.06743887%	
Prior Measurement Date	<u>0.12781760%</u>	<u>0.07777259%</u>	
Change in Proportionate Share	<u>-0.02502440%</u>	<u>-0.01033372%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,945,445	\$0	\$1,945,445
Net OPEB (Asset)	\$0	(\$1,421,893)	(\$1,421,893)
OPEB Expense	\$191,239	\$88,150	\$279,389

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$20,737	\$50,629	\$71,366
Changes of assumptions	305,194	90,824	396,018
Changes in proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	178,304	61,258	239,562
Educational Service Center contributions subsequent to the measurement date	<u>64,430</u>	<u>0</u>	<u>64,430</u>
Total Deferred Outflows of Resources	<u>\$568,665</u>	<u>\$202,711</u>	<u>\$771,376</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$968,920	\$260,516	\$1,229,436
Changes of assumptions	266,413	848,263	1,114,676
Net difference between projected and actual earnings on OPEB plan investments	42,265	394,124	436,389
Changes in Proportionate Share and difference between Educational Service Center contributions and proportionate share of contributions	<u>1,175,537</u>	<u>25,549</u>	<u>1,201,086</u>
Total Deferred Inflows of Resources	<u>\$2,453,135</u>	<u>\$1,528,452</u>	<u>\$3,981,587</u>

\$64,430 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$389,434)	(\$377,215)	(\$766,649)
2024	(389,731)	(367,352)	(757,083)
2025	(410,358)	(355,480)	(765,838)
2026	(404,662)	(167,517)	(572,179)
2027	(265,974)	(58,604)	(324,578)
Thereafter	<u>(88,742)</u>	<u>427</u>	<u>(88,315)</u>
Total	<u>(\$1,948,901)</u>	<u>(\$1,325,741)</u>	<u>(\$3,274,642)</u>

Actuarial Assumptions - SERS

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

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

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:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 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 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 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 1 year and adjusted 94.20 percent for males and set forward 2 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 3 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 1 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 projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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 11.

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 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 System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

	1% Decrease <u>(1.27%)</u>	Current Discount Rate <u>(2.27%)</u>	1% Increase <u>(3.27%)</u>
Educational Service Center's proportionate share of the net OPEB liability	\$2,410,643	\$1,945,445	\$1,573,813

	1% Decrease <u>(5.75% decreasing to 3.40%)</u>	Current Trend Rate <u>(6.75% decreasing to 4.40%)</u>	1% Increase <u>(7.75% decreasing to 5.40%)</u>
Educational Service Center's proportionate share of the net OPEB liability	\$1,497,834	\$1,945,445	\$2,543,318

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:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 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	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

Actuarial assumptions used in the June 30, 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 CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and 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.

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 11.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 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 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Educational Service Center's proportionate share of the net OPEB asset	(\$1,199,858)	(\$1,421,893)	(\$1,607,370)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Educational Service Center's proportionate share of the net OPEB asset	(\$1,599,855)	(\$1,421,893)	(\$1,201,827)

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 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administration employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 180 days for employees working 182 days to 191 days, 192 days for employees working 192 days to 201 days, and 202 days for employees working 202 days. Upon retirement, payment is made for accrued, but unused sick leave credit to a maximum of 40 days for employees working 182 to 191 days and 45 days for employees working 192 days or more.

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2022, three board members have elected Social Security. The contribution rate is 6.2 percent of wages.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Insurance Benefits

The Educational Service Center provides medical/surgical insurance through Medical Mutual of Ohio for all eligible employees. The Educational Service Center pays between 75 to 100 percent of the cost of both the individual plans and the monthly family coverage premiums, depending on the plan selected by the employee. Premiums are paid from the same funds that pay the employees' salaries.

Dental insurance is offered to employees through Coresource for all eligible employees. The Educational Service Center pays between 80 to 90 percent of the cost of both the individual plans and the monthly family coverage premiums, depending on the plan selected by the employee. Premiums are paid from the same funds that pay the employees' salaries.

Vision insurance is offered to employees through VSP for all eligible employees. The Educational Service Center pays between 80 to 90 percent of the cost of both the individual plans and the monthly family coverage premiums, depending on the plan selected by the employee. Premiums are paid from the same funds that pay the employees' salaries.

The Educational Service Center pays the total cost for life insurance for its employees. Life insurance is provided through Sun Life Insurance.

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Outstanding 6/30/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Leases	\$268,625	\$0	\$14,028	\$254,597	\$14,309
Net Pension Liability:					
STRS	18,818,199	0	10,195,533	8,622,666	0
SERS	8,357,544	0	4,669,497	3,688,047	0
Total Net Pension Liability	<u>27,175,743</u>	<u>0</u>	<u>14,865,030</u>	<u>12,310,713</u>	<u>0</u>
Net OPEB Liability - SERS	<u>2,777,897</u>	<u>0</u>	<u>832,452</u>	<u>1,945,445</u>	<u>0</u>
Sick Leave Benefits Payable	<u>1,008,808</u>	<u>196,548</u>	<u>135,880</u>	<u>1,069,476</u>	<u>0</u>
Total Governmental Activities Long Term Liabilities	<u>\$31,231,073</u>	<u>\$196,548</u>	<u>\$15,847,390</u>	<u>\$15,580,231</u>	<u>\$14,309</u>

Leases The Educational Service Center has outstanding agreement to lease building space. Due to the implementation of GASB Statement 87, this lease 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. These discounts are being amortized using the interest method over the life of the lease.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$14,309	\$5,092	\$19,401
2024	14,595	4,806	19,401
2025	14,887	4,514	19,401
2026	15,184	4,216	19,400
2027	15,488	3,912	19,400
2028-2032	82,212	14,790	97,002
2033-2037	97,922	5,713	103,635
	<u>\$254,597</u>	<u>\$43,043</u>	<u>\$297,640</u>

Lease payments are made from the General Fund.

Compensated absences will be paid from the General Fund.

There are no repayment schedules for the net pension and the net OPEB liabilities. However, employer pension and OPEB contributions are made from the following funds: General Fund, and Public School Preschool, Alternative Education, State Support Team, IDEA-B, IDEA Preschool, and 21st Century Collaborative Special Revenue Funds. For additional information related to the net pension and net OPEB liabilities, see Notes 11 and 12.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

***Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) Information Technology Center
Regional Council of Governments***

The Educational Service Center is a participant in the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The board exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. OMERESA provides information technology and internet access to member districts, as well as cooperative purchasing programs.

During fiscal year 2022, the amount paid to OME-RESA from the Educational Service Center was \$22,514 for cooperative purchasing, technology, internet access, financial accounting services, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Suite 2, Steubenville, Ohio 43952.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 Educational Service Centers and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for Educational Service Center administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The Educational Service Center membership fees were \$325 during fiscal year 2022. The financial information for the Coalition can be obtained from the Executive Director, at Patton Hall 322, Ohio University, Athens, Ohio 45701.

Ohio Coalition for Equity and Adequacy of School Funding

The Ohio Coalition for Equity and Adequacy of School Funding is a regional council of governments established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives may be appointed by the Chairperson. The Center's membership fee was \$2,000 for fiscal year 2022. The Center serves as the fiscal agent of the Coalition and financial activity of the Coalition is reported as a custodial fund as discussed in Note 19.

NOTE 16 - INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Educational Service Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority

The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of Ohio Revised Code 2744. Ninety-one school districts, educational service centers, and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Ohio School Benefits Cooperative

The Educational Service Center participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool composed of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be Educational Service Center and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees, and propose to have certain other eligible Educational Service Center or groups of Educational Service Centers join them for the same purposes. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants.

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of Educational Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. On October 1, 2006, the Educational Service Center elected to participate in the joint insurance purchasing program for medical, prescription drug, and dental coverage.

NOTE 17 - CONTINGENCIES

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.

Litigation

The Educational Service Center is not currently party to litigation.

NOTE 18 - SIGNIFICANT COMMITMENTS

Encumbrances are commitments to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Muskingum Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

<u>Governmental Funds</u>	
General Fund	\$164,328
Other Nonmajor Governmental Funds	<u>1,413,559</u>
Total All Funds	<u><u>\$1,577,887</u></u>

NOTE 19 – EXTERNAL INVESTMENT POOL

Effective June 25, 2004, the Educational Service Center began to serve as fiscal agent for the Ohio Coalition of Equity and Adequacy of School Funding (the Coalition), a legally separate entity. The Educational Service Center pooled the moneys of the Coalition with its own for investment purposes. Participation in the pool is voluntary. The external investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant will be allocated a pro rata share of each investment at fair value, along with the pro rata share of the interest that it earns. Condensed financial information for the investment pool follows:

Statement of Net Position
June 30, 2022

<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,561,720</u>
<i>Net Position Held in Trust for Pool Participants:</i>	
Internal Portion	\$4,839,858
External Portion	<u>721,862</u>
<i>Total Net Position Held in Trust for Pool Participants</i>	<u><u>\$5,561,720</u></u>

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2022

<i>Additions:</i>	
Interest Loss	<u>(\$4,345)</u>
<i>Deductions:</i>	
Distributions paid to Participants	4,345
Capital Transactions	<u>(313,861)</u>
<i>Total Deductions</i>	<u>(309,516)</u>
Total Decrease in Net Position	(313,861)
<i>Net Position at Beginning of Year</i>	<u>5,875,581</u>
<i>Net Position at End of Year</i>	<u><u>\$5,561,720</u></u>

Deposits

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.

Muskingum Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

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

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the Educational Service Center received COVID-19 funding. The Educational Service Center's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. 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 future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Muskingum Valley Educational Service Center, Ohio
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	2018
Educational Service Center's Proportion of the Net Pension Liability	0.09995490%	0.12635740%	0.14974560%	0.14604170%	0.13558160%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$3,688,047	\$8,357,544	\$8,959,542	\$8,364,079	\$8,100,701
Educational Service Center's Covered Payroll	\$3,365,143	\$4,290,571	\$5,167,067	\$4,935,644	\$4,390,600
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	109.60%	194.79%	173.40%	169.46%	184.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%	69.50%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

*Amounts presented for each fiscal year were determined 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
0.12755800%	0.12335640%	0.12256700%	0.12256700%
\$9,336,068	\$7,038,836	\$6,203,046	\$7,288,666
\$3,996,229	\$3,759,621	\$3,592,633	\$3,093,411
233.62%	187.22%	172.66%	235.62%
62.98%	69.16%	71.70%	65.52%

Muskingum Valley Educational Service Center, Ohio
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	2018
Educational Service Center's Proportion of the Net Pension Liability	0.06743887%	0.07777259%	0.08533888%	0.08486673%	0.08153057%
Educational Service Center's Proportionate Share of the Net Pension Liability	\$8,622,666	\$18,818,199	\$18,872,181	\$18,660,288	\$19,367,762
Educational Service Center's Covered Payroll	\$8,091,771	\$9,335,393	\$10,121,814	\$9,723,064	\$9,016,386
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.56%	201.58%	186.45%	191.92%	214.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.30%	75.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.08220609%	0.08196196%	0.07795173%	0.08196196%
\$27,543,634	\$22,651,888	\$18,960,558	\$22,585,693
\$8,603,150	\$8,690,129	\$8,127,986	\$7,579,840
320.16%	260.66%	233.27%	297.97%
66.80%	72.10%	74.70%	69.30%

Muskingum Valley Educational Service Center, Ohio
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	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.10279320%	0.12781760%	0.15325570%	0.14776180%	0.13770110%	0.12918260%
Educational Service Center's Proportionate Share of the Net OPEB Liability	\$1,945,445	\$2,777,896	\$3,854,060	\$4,099,311	\$3,695,536	\$3,682,182
Educational Service Center's Covered Payroll	\$3,365,143	\$4,290,571	\$5,167,067	\$4,935,644	\$4,390,600	\$3,996,229
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	57.81%	64.74%	74.59%	83.06%	84.17%	92.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

Muskingum Valley Educational Service Center, Ohio
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	2018	2017
Educational Service Center's Proportion of the Net OPEB Liability	0.06743887%	0.07777259%	0.08533888%	0.08486673%	0.08153057%	0.08228609%
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,421,893)	(\$1,366,848)	(\$1,413,416)	(\$1,363,721)	\$3,181,022	\$4,400,681
Educational Service Center's Covered Payroll	\$8,091,771	\$9,335,393	\$10,121,814	\$9,723,064	\$9,016,386	\$8,603,150
Educational Service Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-17.57%	-14.64%	-13.96%	-14.03%	35.28%	51.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$508,007	\$471,120	\$600,680	\$697,554
Contributions in Relation to the Contractually Required Contribution	<u>(508,007)</u>	<u>(471,120)</u>	<u>(600,680)</u>	<u>(697,554)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center Covered Payroll (1)	\$3,628,621	\$3,365,143	\$4,290,571	\$5,167,067
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$64,430	\$64,773	\$66,489	\$118,421
Contributions in Relation to the Contractually Required Contribution	<u>(64,430)</u>	<u>(64,773)</u>	<u>(66,489)</u>	<u>(118,421)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.78%</u>	<u>1.92%</u>	<u>1.55%</u>	<u>2.29%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.78%</u>	<u>15.92%</u>	<u>15.55%</u>	<u>15.79%</u>

(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
\$666,312	\$614,684	\$559,472	\$495,518	\$497,939	\$428,128
(666,312)	(614,684)	(559,472)	(495,518)	(497,939)	(428,128)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,935,644	\$4,390,600	\$3,996,229	\$3,759,621	\$3,592,633	\$3,093,411
<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>
\$102,740	\$75,592	\$65,009	\$94,333	\$65,716	\$59,455
(102,740)	(75,592)	(65,009)	(94,333)	(65,716)	(59,455)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.08%</u>	<u>1.72%</u>	<u>1.63%</u>	<u>2.51%</u>	<u>1.83%</u>	<u>1.92%</u>
<u>15.58%</u>	<u>15.72%</u>	<u>15.63%</u>	<u>15.69%</u>	<u>15.69%</u>	<u>15.76%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$1,088,339	\$1,132,848	\$1,306,955	\$1,417,054
Contributions in Relation to the Contractually Required Contribution	<u>(1,088,339)</u>	<u>(1,132,848)</u>	<u>(1,306,955)</u>	<u>(1,417,054)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Educational Service Center Covered Payroll	\$7,773,850	\$8,091,771	\$9,335,393	\$10,121,814
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability (Asset)				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$1,361,229	\$1,262,294	\$1,204,441	\$1,216,618	\$1,056,638	\$985,379
<u>(1,361,229)</u>	<u>(1,262,294)</u>	<u>(1,204,441)</u>	<u>(1,216,618)</u>	<u>(1,056,638)</u>	<u>(985,379)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,723,064	\$9,016,386	\$8,603,150	\$8,690,129	\$8,127,986	\$7,579,840
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$81,280	\$75,799
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(81,280)</u>	<u>(75,799)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Muskingum Valley Educational Service Center, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2022, an assumption of 2.0 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	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 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 1 year and adjusted 94.20 percent for males and set forward 2 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 3 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:

Muskingum Valley Educational Service Center, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 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)	0.0 percent, effective July 1, 2017	0.0 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, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on 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 are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 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	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 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 as follows:

Muskingum Valley Educational Service Center, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

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 7.00.

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.

Muskingum Valley Educational Service Center, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 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 costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 Information

Muskingum Valley Educational Service Center, Ohio
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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$826,431	\$826,431	\$710,645	(\$115,786)
Investment Earnings	20,000	20,000	17,974	(2,026)
Tuition and Fees	9,128,321	9,128,321	9,096,623	(31,698)
Charges for Services	4,062,987	4,062,987	4,031,952	(31,035)
Extracurricular Activities	5,000	5,000	11,053	6,053
Rent	15,000	15,000	11,950	(3,050)
Gifts and Donations	0	0	625	625
Miscellaneous	819,945	819,945	555,727	(264,218)
Total Revenues	14,877,684	14,877,684	14,436,549	(441,135)
Expenditures				
Current:				
Instruction:				
Regular	855,676	855,676	826,339	29,337
Special	5,705,401	5,705,401	5,452,875	252,526
Student Intervention Services	1,054,626	1,054,626	1,006,976	47,650
Support Services:				
Pupils	4,017,123	4,017,123	3,860,841	156,282
Instructional Staff	1,443,899	1,443,899	1,394,899	49,000
Board of Education	22,991	22,991	21,952	1,039
Administration	816,966	816,966	796,054	20,912
Fiscal	526,916	526,916	538,293	(11,377)
Operation and Maintenance of Plant	65,481	65,481	73,743	(8,262)
Pupil Transportation	2,831	2,831	2,703	128
Central	333,899	333,899	362,745	(28,846)
Operation of Non-Instructional Services:				
Community Services	59,306	59,306	56,626	2,680
Extracurricular Activities	10,326	10,326	10,309	17
Total Expenditures	14,915,441	14,915,441	14,404,355	511,086
Excess of Revenues Over (Under) Expenditures	(37,757)	(37,757)	32,194	69,951
Net Change in Fund Balances	(37,757)	(37,757)	32,194	69,951
Fund Balance Beginning of Year	4,260,729	4,260,729	4,260,729	0
Prior Year Encumbrances Appropriated	81,624	81,624	81,624	0
Fund Balance End of Year	\$4,304,596	\$4,304,596	\$4,374,547	\$69,951

See notes to supplemental information

Muskingum Valley Educational Service Center, Ohio
*Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Tele-Mental Health Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2022*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$0	\$0	\$0	\$0
Expenditures	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,136,601</u>	<u>13,399</u>
Net Change in Fund Balances	(1,150,000)	(1,150,000)	(1,136,601)	13,399
Fund Balance Beginning of Year	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$13,399</u></u>	<u><u>\$13,399</u></u>

See notes to supplemental information

Muskingum Valley Educational Service Center, Ohio

*Notes to the Supplemental Information
For the Fiscal Year Ended June 30, 2022*

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 adopts its budget on or before the start of the new fiscal year. Included in the budget are estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balances and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

Appropriations

The annual appropriation resolution is enacted by the Educational Service Center at the fund level of expenditures, which are the levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Educational Service Center. The Educational Service Center may pass supplemental appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

Budgetary Basis of Accounting

The Educational Service Center's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP).

The major differences between the budget basis and 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 restricted, committed, or unassigned fund balance (GAAP basis).

Muskingum Valley Educational Service Center, Ohio

*Notes to the Supplemental Information
For the Fiscal Year Ended June 30, 2022*

4. Reclassification of excess of expenditures over revenues into financial statement fund types represents the perspective difference between GAAP basis statements and budget basis statements due to the combining of additional funds (Public School Support) on a GAAP basis but not including them on the budget basis.
5. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.
6. Fair market value changes are reported on the “Statement of Revenues, Expenditures, and Changes in Fund Balance” (GAAP Basis), but not on a budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Tele-Mental Health Grant Special Revenue Fund:

Net Change in Fund Balance

	General Fund	Tele-Mental Health Grant
	<u> </u>	<u> </u>
GAAP Basis	\$231,410	\$0
Net Adjustment for:		
Revenue Accruals	120,578	(190,246)
Expenditure Accruals	(144,345)	0
Fair Market Value:		
Beginning of Fiscal Year	(11,549)	0
End of Fiscal Year	(8,354)	0
Prepaid Items:		
Beginning of Fiscal Year	(226,527)	0
End of Fiscal Year	223,907	0
To reclassify excess of revenues over expenditures into financial statement fund types	9,896	0
Encumbrances	<u>(162,822)</u>	<u>(946,355)</u>
Budget Basis	<u>\$32,194</u>	<u>(\$1,136,601)</u>

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**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Department of Education:</i>			
COVID-19 Coronavirus Relief Fund - Broadband Ohio Connectivity	21.019	2021	(\$241)
Total U.S. Department of Education			(241)
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2021 2022	2,935 <u>20,638</u>
Total Title I Grants to Local Educational Agencies			<u>23,573</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	2021 2022	159,579 <u>1,248,735</u>
Total Special Education - Grants to States			<u>1,408,314</u>
Special Education - Preschool Grants	84.173	2021 2022	26,774 <u>163,808</u>
Total Special Education - Preschool Grants			<u>190,582</u>
Total Special Education Cluster (IDEA)			1,598,896
School-Based Mental Health Service	84.184H	2021 2022	60,598 <u>270,330</u>
Total School-Based Mental Health Service			<u>330,928</u>
Twenty - First Century Community Learning Centers	84.287	2021 2022	67,443 <u>959,723</u>
Total Twenty - First Century Community Learning Centers			<u>1,027,166</u>
Supporting Effective Instruction State Grants	84.367	2022	6,653
Striving Readers Comprehensive Literacy Program	84.371	2021 2022	67,996 <u>103,912</u>
Total Striving Readers Comprehensive Literacy Program			<u>171,908</u>
COVID-19 Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund	84.425C	2021 2022 2023	19,247 284,069 16,238
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	2021 2022 2023	23,405 306,288 2,111
COVID-19 ARP Homeless	84.425W	2022	20,752
COVID-19 Adolescent Literacy Specialist	84.425U	2022	26,309
COVID-19 ESC's to Support Structured Literacy	84.425U	2023	650
Total COVID-19 Education Stabilization Fund			<u>699,069</u>
Total U.S. Department of Education			<u>3,858,193</u>
Total Expenditures of Federal Awards			<u>\$3,857,952</u>

The accompanying notes are an integral part of this Schedule.

**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The Educational Service Center did not provide funds to subrecipients during the audit period.

OHIO AUDITOR OF STATE KEITH FABER



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

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated March 16, 2023, wherein we noted the Educational Service Center modified its approach related to the eligibility requirement of certain grants resulting in a restatement of fund balance/net position at June 30, 2021.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 16, 2023

OHIO AUDITOR OF STATE KEITH FABER



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

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 16, 2023

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**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Special Education Cluster (IDEA) - AL #84.027 and #84.173 • Twenty-First Century Community Learning Centers - AL #84.287 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/28/2023

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

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