

LAWRENCE COUNTY SCHOOLS  
EDUCATIONAL SERVICE CENTER  
LAWRENCE COUNTY  
REGULAR AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023



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OHIO AUDITOR OF STATE  
KEITH FABER



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Governing Board  
Lawrence County Educational Service Center  
304 North Second Street  
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Lawrence County Educational Service Center, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 01, 2024

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**Lawrence County Educational Service Center**  
**Lawrence**  
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*For the Fiscal Year Ended June 30, 2023*

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**Independent Auditor's Report**

Board Members  
Lawrence County Educational Service Center  
304 N. 2nd Street  
Ironton, Ohio 45638

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

***Opinions***

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawrence County Educational Service Center, Lawrence County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2023, 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 cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Educational Service Center, Lawrence County, Ohio, as of June 30, 2023, and the respective changes in the cash basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 – Accounting Basis***

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

Lawrence County Educational Service Center  
Independent Auditor's Report

***Emphasis of Matter – COVID-19***

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Educational Service Center. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Educational Service Center'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.



Lawrence County Educational Service Center  
Independent Auditor's Report

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

***Supplementary Information***

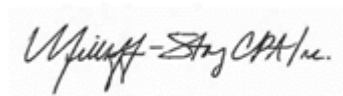
The budgetary comparison schedules for the General Fund, Special Education Cooperative Fund, Lawrence County Joint Cooperative Fund, and ESSER Fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2024 on our consideration of the Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

July 30, 2024

**Lawrence County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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As management of the Lawrence County Educational Service Center, we offer the readers of the Educational Service Center's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the Educational Service Center's performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2023 are as follows:

- Net position of governmental activities decreased \$1,185,903.
- General cash receipts accounted for \$321,927 or 7 percent of all program specific and general cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$4,069,870 or 93 percent of total program specific and general cash receipts.
- The Educational Service Center had \$5,577,700 in cash disbursements; only \$4,069,870 of these cash disbursements were offset by program specific charges for services, sales, grants and contributions.

## **USING THIS ANNUAL FINANCIAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Educational Service Center's cash basis of accounting.

### **Report Components**

The *Statement of Net Position – Cash Basis* and *Statement of Activities- Cash Basis* provide information about the activities of the Educational Service Center as a whole.

Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the Educational Service Center as a way to segregate money whose use is restricted to a particular purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Educational Service Center has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the Educational Service Center's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Lawrence County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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***Reporting the Educational Service Center as a Whole***

*Statement of Net Position and Statement of Activities*

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during 2023, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Educational Service Center at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Educational Service Center's general receipts.

These statements report the Educational Service Center's cash position and the changes in cash position. It is important to note that fiduciary funds are not included in these statements. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Educational Service Center's financial health. Over time, increases or decreases in the Educational Service Center's cash position is one indicator of whether the Educational Service Center's financial health is improving or deteriorating. When evaluating the Educational Service Center's financial condition, you should also consider other non-financial factors as well such as the condition of the Educational Service Center's capital assets and infrastructure, the extent of the Educational Service Center's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources.

In the statement of net position and the statement of activities, the Educational Service Center has one type of activity: governmental.

***Reporting the Educational Service Center's Most Significant Funds***

*Fund Financial Statements*

Fund financial statements provide detailed information about the Educational Service Center's major funds, not the Educational Service Center as a whole. The Educational Service Center uses a number of 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, the Special Ed Cooperative fund, the Lawrence Co Joint Cooperative fund and the Elementary and Secondary School Emergency Relief (ESSER) fund.

***Governmental Funds*** All 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 and services. Since the Educational Service Center is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. See Note 2 to the basic financial statements for more information.

**Lawrence County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**Fiduciary Funds.** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. The District evaluated its fiduciary fund in accordance with GASB No. 84 and is reporting this fund as a custodial fund.

**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 2023 as compared to 2022.

Table 1  
Net Position

	Governmental Activities	
	2023	2022
<b>Assets</b>		
Current Assets	\$ 1,612,422	\$ 2,798,325
Total Assets	<u>1,612,422</u>	<u>2,798,325</u>
<b>Net Position</b>		
Restricted	366,563	1,297,443
Unrestricted	1,245,859	1,500,882
Total Net Position	<u>\$ 1,612,422</u>	<u>\$ 2,798,325</u>

Over time, net position can serve as a useful indicator of a government's financial position. Current assets decreased due to decreases to cash on hand at year end because cash disbursements exceeded cash receipts.

**Lawrence County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2023 as compared to 2022.

Table 2  
Changes in Net Position

	Governmental Activities	
	2023	2022
<b>Revenues</b>		
Program Cash Receipts		
Charges for Services	\$ 3,468,674	\$ 3,423,140
Operating Grants and Contributions	601,196	206,523
Total Program Cash Receipts	<u>4,069,870</u>	<u>3,629,663</u>
General Cash Receipts		
Grants and Entitlements, Not Restricted	301,935	267,283
Investment Earnings	-	14
Miscellaneous	19,992	31,861
Total General Cash Receipts	<u>321,927</u>	<u>299,158</u>
Total Cash Receipts	<u>4,391,797</u>	<u>3,928,821</u>
<b>Program Disbursements</b>		
Instruction:		
Regular	802,401	663,632
Special	767,512	732,759
Adult/Continuing	424	2,117
Other	48,386	27,864
Support Services:		
Pupils	809,060	599,829
Instructional Staff	659,492	306,496
Board of Education	121,717	170,153
Administration	491,927	447,955
Fiscal	192,464	189,317
Operation and Maintenance of Plant	160,804	145,564
Pupil Transportation	82,980	62,306
Central	1,403,141	477,810
Operation of Non-Instructional Services	31,249	24,152
Extracurricular Activities	4,033	-
Capital Outlay	2,110	-
Total Cash Disbursements	<u>5,577,700</u>	<u>3,849,954</u>
Increase (Decrease) in Net Position	(1,185,903)	78,867
Net Position, Beginning of Year	2,798,325	2,719,458
Net Position, End of Year	<u>\$ 1,612,422</u>	<u>\$ 2,798,325</u>

**Lawrence County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**Governmental Activities**

The primary sources of revenue for governmental activities are derived from grants and charges for services. These revenue sources represent 93% of total governmental revenue. Revenue from charges for services increased slightly during fiscal year 2023. Revenues from operating grants and contributions increased primarily due to additional revenues from the ESSER grant in 2023.

Total disbursements increased \$1,727,746 during fiscal year 2023 due primarily to additional services provided to the Alternative School and local school district in 2023. The largest disbursements of the Educational Service Center are for support services, which totaled \$3,921,585 or 70% of total governmental disbursements for the year. Fluctuations of disbursements between years are directly related to the needs of the Educational Service Center's member School Districts.

The statement of activities shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by fees charged for services provided and operating grants and contributions.

Table 3  
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2023	2023	2022	2022
Program Disbursements				
Instruction:				
Regular	\$ 802,401	\$ 287,657	\$ 663,632	\$ 125,089
Special	767,512	134,997	732,759	(56,182)
Adult/Continuing	424	424	2,117	2,117
Other	48,386	13,056	27,864	(606)
Support Services:				
Pupils	809,060	182,365	599,829	101,288
Instructional Staff	659,492	6,124	306,496	79,859
Board of Education	121,717	29,819	170,153	(8,677)
Administration	491,927	154,810	447,955	4,820
Fiscal	192,464	53,805	189,317	27,329
Operation and Maintenance of Plant	160,804	40,329	145,564	18,921
Pupil Transportation	82,980	23,476	62,306	3,631
Central	1,403,141	571,468	477,810	(78,706)
Operation of Non-Instructional Services	31,249	8,935	24,152	1,408
Extracurricular Activities	4,033	314	-	-
Capital Outlay	2,110	251	-	-
Totals	<u>\$ 5,577,700</u>	<u>\$ 1,507,830</u>	<u>\$ 3,849,954</u>	<u>\$ 220,291</u>

**Lawrence County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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**THE EDUCATIONAL SERVICE CENTER'S FUNDS**

The Educational Service Center has four major funds which are the General Fund, the Special Ed Cooperative fund, ESSER fund and the Lawrence Co Joint Cooperative fund.

The General Fund had \$2,341,498 in cash receipts and other financing sources and \$2,560,904 in cash disbursements and other financing uses. The net change in fund balance for the General Fund was a decrease of \$219,406. The Special Ed Cooperative fund, ESSER fund, and the Lawrence Co Joint Cooperative fund had decreases in fund balance of \$156,171, \$45,046 and \$573,109, respectively.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The Educational Service Center does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Educational Service Center had \$2,110 in capital outlay disbursements during fiscal year 2023.

**DEBT**

The Educational Service Center did not have any debt outstanding as of June 30, 2023.

**CONTACTING THE EDUCATIONAL SERVICE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to 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, contact Robin Waller, Treasurer at Lawrence County Educational Service Center, 304 N. 2<sup>nd</sup> Street, Ironton, Ohio 45638.

**Lawrence County Educational Service Center**  
*Statement of Net Position - Cash Basis*  
*As of June 30, 2023*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,612,422</u>
<i>Total Assets</i>	<u>1,612,422</u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	366,563
Unrestricted	<u>1,245,859</u>
<i>Total Net Position</i>	<u><u>\$ 1,612,422</u></u>

See accompanying notes to the basic financial statements.



**Lawrence County Educational Service Center**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2023

		Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 802,401	\$ 512,944	\$ 1,800	\$	(287,657)
Special	767,512	632,515	-	-	(134,997)
Adult/Continuing	424	-	-	-	(424)
Other	48,386	35,330	-	-	(13,056)
Support Services:					
Pupils	809,060	520,659	106,036	-	(182,365)
Instructional Staff	659,492	176,652	476,716	-	(6,124)
Board of Education	121,717	79,958	11,940	-	(29,819)
Administration	491,927	336,428	689	-	(154,810)
Fiscal	192,464	134,644	4,015	-	(53,805)
Operation and Maintenance of Plant	160,804	120,475	-	-	(40,329)
Pupil Transportation	82,980	59,504	-	-	(23,476)
Central	1,403,141	831,673	-	-	(571,468)
Operation of Non Instructional Services	31,249	22,314	-	-	(8,935)
Extracurricular Activities	4,033	3,719	-	-	(314)
Capital Outlay	2,110	1,859	-	-	(251)
<i>Totals</i>	<u>\$ 5,577,700</u>	<u>\$ 3,468,674</u>	<u>\$ 601,196</u>		<u>(1,507,830)</u>
<b>General Cash Receipts</b>					
					301,935
Grants and Entitlements not Restricted to Specific Programs					19,992
Miscellaneous					<u>321,927</u>
<i>Total General Cash Receipts</i>					<u>321,927</u>
<i>Change in Net Position</i>					(1,185,903)
<i>Net Position at Beginning of Year</i>					<u>2,798,325</u>
<i>Net Position at End of Year</i>					<u>\$ 1,612,422</u>

See accompanying notes to the basic financial statements

**Lawrence County Educational Service Center**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*As of June 30, 2023*

	General Fund	Special Ed Cooperative	Lawrence Co Joint Cooperative	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 1,281,476	\$ 130,057	\$ 184,431	\$ (35,617)	\$ 52,075	\$ 1,612,422
<i>Total Assets</i>	<u>\$ 1,281,476</u>	<u>\$ 130,057</u>	<u>\$ 184,431</u>	<u>\$ (35,617)</u>	<u>\$ 52,075</u>	<u>\$ 1,612,422</u>
<b>Fund Balances</b>						
Restricted	\$ -	\$ 130,057	\$ 184,431	\$ -	\$ 52,075	\$ 366,563
Committed	15,118	-	-	-	-	15,118
Assigned	32,404	-	-	-	-	32,404
Unassigned	1,233,954	-	-	(35,617)	-	1,198,337
<i>Total Fund Balances</i>	<u>\$ 1,281,476</u>	<u>\$ 130,057</u>	<u>\$ 184,431</u>	<u>\$ (35,617)</u>	<u>\$ 52,075</u>	<u>\$ 1,612,422</u>

See accompanying notes to the basic financial statements.

**Lawrence County Educational Service Center**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2023

	General Fund	Special Ed Cooperative	Lawrence Co Joint Cooperative	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts</b>						
Intergovernmental	\$ 301,934	\$ -	\$ -	\$ 584,960	\$ 16,237	\$ 903,131
Charges for Services	178,565	-	608,676	-	151,359	938,600
Contract Services	1,681,066	847,748	-	-	-	2,528,814
Rent	1,260	-	-	-	-	1,260
Miscellaneous	19,992	-	-	-	-	19,992
<i>Total Cash Receipts</i>	<u>2,182,817</u>	<u>847,748</u>	<u>608,676</u>	<u>584,960</u>	<u>167,596</u>	<u>4,391,797</u>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	500,698	-	-	-	301,703	802,401
Special	-	709,521	57,991	-	-	767,512
Adult/Continuing	424	-	-	-	-	424
Other	48,386	-	-	-	-	48,386
Support Services:						
Pupils	716,683	-	-	89,720	2,657	809,060
Instructional Staff	242,305	-	-	412,608	4,579	659,492
Board of Education	111,315	-	-	10,402	-	121,717
Administration	344,270	33,794	113,263	600	-	491,927
Fiscal	183,777	4,106	672	3,498	411	192,464
Operation and Maintenance of Plant	117,679	37,711	-	-	5,414	160,804
Pupil Transportation	82,980	-	-	-	-	82,980
Central	174,495	218,787	1,009,859	-	-	1,403,141
Operation of Non Instructional	31,249	-	-	0	-	31,249
Extracurricular Activities	4,033	-	-	0	-	4,033
Capital Outlay	2,110	-	0	0	-	2,110
<i>Total Cash Disbursements</i>	<u>2,560,404</u>	<u>1,003,919</u>	<u>1,181,785</u>	<u>516,828</u>	<u>314,764</u>	<u>5,577,700</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(377,587)</u>	<u>(156,171)</u>	<u>(573,109)</u>	<u>68,132</u>	<u>(147,168)</u>	<u>(1,185,903)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	36,823	-	-	-	500	37,323
Advances In	121,858	-	-	-	-	121,858
Advances Out	-	-	-	(113,178)	(8,680)	(121,858)
Transfers Out	(500)	-	-	-	(36,823)	(37,323)
<i>Total Other Financing Sources (Uses)</i>	<u>158,181</u>	<u>-</u>	<u>-</u>	<u>(113,178)</u>	<u>(45,003)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(219,406)</u>	<u>(156,171)</u>	<u>(573,109)</u>	<u>(45,046)</u>	<u>(192,171)</u>	<u>(1,185,903)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,500,882</u>	<u>286,228</u>	<u>757,540</u>	<u>9,429</u>	<u>244,246</u>	<u>2,798,325</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,281,476</u>	<u>\$ 130,057</u>	<u>\$ 184,431</u>	<u>\$ (35,617)</u>	<u>\$ 52,075</u>	<u>\$1,612,422</u>

See accompanying notes to the basic financial statements.

**Lawrence County Educational Service Center**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2023*

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	<u>Custodial</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents in segregated accounts	<u>\$7,873,243</u>
<b>Net Position:</b>	
Restricted for Individuals, Organizations and Other Governments	<u><u>\$7,873,243</u></u>

See accompanying notes to the basic financial statements.

**Lawrence County Educational Service Center**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2023*

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	<b>Custodial</b>
<b>Additions:</b>	
Amounts Received as Fiscal Agent	\$22,867,463
<b>Deductions:</b>	
Distributions as Fiscal Agent	\$23,505,774
Change in fiduciary net position	(638,311)
Net position, July 1	8,511,554
Net position, June 30	\$7,873,243

See accompanying notes to the basic financial statements.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 1 - REPORTING ENTITY**

The Lawrence County Educational Service Center (the “Educational Service Center”) is located in Ironton, Ohio, the county seat. The Educational Service Center provides supervisory, special education, administrative, and other services to Dawson-Bryant, Fairland, Rock Hill, South Point, and Symmes Valley Local School Districts, Ironton City School District, Chesapeake-Union Exempted Village School District, as well as the Collins Career Center. 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 Lawrence County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The Educational Service Center has 19 support staff employees and 23 certified administrators that provide services to the school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Lawrence County Educational Service Center, this includes instructional and support services.

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

The Educational Service Center participates in two organizations which are defined as jointly governed organizations. These are the Metropolitan Educational Technology Association (META Solutions) and the Collins Career Center. Information about these organizations is presented in Note 9 to the basic financial statements.

The Educational Service Center serves as the fiscal agent for the Lawrence County Schools Council of Governments Health Benefits Program. Accordingly, this organization is presented as a custodial fund within the Center’s financial statements.

The Educational Service Center participates in three organizations of which two are defined as insurance purchasing pools and one as a shared risk pool: the Sheakley Workers’ Comp and Safety Group Retrospective Rating Plan, the Ohio School Plan and the Lawrence County Schools Council of Governments Health Benefits Program. Information about these organizations is presented in Note 10 to the basic financial statements.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the Educational Service Center chooses to prepare its financial statements in accordance with the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**B. Fund Accounting**

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

**Governmental Funds**

Governmental funds are those through which all governmental functions of the Educational Service Center are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The Educational Service Center has the following major governmental funds:

**General Fund**

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

**Special Ed Cooperative Fund**

The Special Ed Cooperative Fund is used to account for monies received from the Educational Service Center's member districts from their respective foundation program aid for the purpose of providing special education services.

**Lawrence Co Joint Cooperative Fund**

The Lawrence Co Joint Cooperative Fund is used to account for monies received from the Educational Service Center's member districts for the purpose of providing joint program educational services.

**Elementary and Secondary School Emergency Relief (ESSER) Fund**

This fund is a special revenue fund used to account for the federal grant revenues received for elementary and secondary school emergency relief. The major source of revenue for this fund is grants.

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

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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

**Fiduciary Fund Type**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center only reports custodial funds, which are used to account for and maintain assets held by the Educational Service Center. The Educational Service Center has a custodial fund used to account for the activity of the Lawrence County Schools Council of Governments Health Benefits Program.

**C. Basis of Presentation**

The Educational Service Center uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. 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 that 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 statement of net position-cash basis presents the cash basis financial condition of governmental activities of the Educational Service Center at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Educational Service Center's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Educational Service Center. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the Educational Service Center.

***Fund Financial Statements*** During the 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 fund financial statements is on major funds rather than reporting funds by type. The major funds are presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements and donations. On a cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.



**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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

**Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

During fiscal year 2023, the Educational Service Center's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Educational Service Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAROhio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

**E. Capital Assets and Depreciation**

Capital assets acquired or constructed for the Educational Service Center are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

**F. Compensated Absences**

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

**G. Accrued Liabilities and Long-Term Obligations**

In general, bonds and capital leases are not accrued, but rather are recorded as cash disbursements in the basic financial statements when paid. The Educational Service Center also does not record premiums and accretion of capital appreciation bonds as assets or liabilities in the accompanying financial statements.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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

**H. Net Position**

Net cash position represents the cash assets held by the Educational Service Center at year end. 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. Restricted for Other Purposes is comprised of net position restricted for state and federal programs. The Educational Service Center applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. As of June 30, 2023, the Educational Service Center had no net position restricted by enabling legislation.

**I. 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 the governmental funds. The classifications are as follows:

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the 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 policies of the Educational Service Center Board, or by state statute. State statute authorizes the Educational Service Center’s Treasurer to assign fund balance for purchases on order.

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

The 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 amounts in any of the unrestricted fund balance classifications could be used.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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

**J. Pensions and Other Post Employment Benefits (OPEB)**

For purposes of measuring the net pension liability and the net OPEB liability (asset), information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value. Under the cash basis of accounting, net pension liabilities, net OPEB liabilities (assets), and associated deferred inflows and outflows of resources are not reported in the accompanying financial statements.

**K. Inventory and Prepaid Items**

The Educational Service Center reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

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

The Educational Service Center recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for pension benefits and for other postemployment benefits (OPEB).

**M. Internal Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**N. Leases**

The Educational Service Center is the lessor in various leases related to buildings/rooms under noncancelable leases. Leases receivables/payables are not reflected under the Educational Service Centers' cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Educational Service Center into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the Educational Service Center has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

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

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

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

Interim monies 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 bonds and other obligations of political subdivisions of the State of Ohio;
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);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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.

**Deposits:** Custodial credit risk is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,826,334 of the Educational Service Center's bank balance of \$4,326,334 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

The Educational Service Center does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

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: The Educational Service Center’s investments in STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Cost/STAROhio*	<u>\$ 5,270,987</u>	< 35.3 days

\* Investment held on behalf of the Lawrence County Schools Council of Governments Health Benefits Program

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. As discussed further in Note 2D, STAROhio is reported at its share price. The above chart identifies the Educational Service Center’s recurring fair value measurements as of June 30, 2023. The Educational Service Center invested solely in StarOhio, which was valued at Net Asset Value.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Although the Educational Service Center does not have an investment policy, the Educational Service Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Educational Service Center limits their investments to STAROhio. Investments in STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Educational Service Center does not have an investment policy which allows investments not outlined in the sections of Chapter 135 of the Ohio Revised Code, at a price not exceeding their fair market value. The Educational Service Center has invested 100 percent in STAROhio.

Custodial Credit Risk - 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.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 4 - STATE FUNDING**

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$26. This amount is provided from State resources.

If additional funding is needed for the Educational Service Center, and if a majority of the Boards of Education of the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased.

The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**NOTE 5 - RISK MANAGEMENT**

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

The Educational Service Center joined together with other school districts and educational service centers in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district or educational service center enters into an agreement with the OSP 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 the OSP (See Note 10).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$3,000,000
Aggregate Limit	5,000,000
Products – Complete Operations Aggregate Limit	3,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	3,000,000
Per Disease Each Employee	3,000,000
Per Disease Policy Limit	3,000,000
Employee Benefits Liability:	
Per Claim	3,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2023, the Educational Service Center participated in the Sheakley Workers' Comp and Safety Group Retrospective Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to improve safety, accident prevention, and claims handling for the Educational Service Center. Participation in the GRP is limited to those school districts and educational service centers that can meet the GRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRP.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 5 - RISK MANAGEMENT (continued)**

The Educational Service Center participates in the Lawrence County Schools Council of Governmental Health Benefits Program (Council), a public entity shared risk pool (Note 10), consisting of government entities within the County offering medical insurance to their employees. Monthly premiums are paid to the Lawrence County Educational Service Center as fiscal agent, who in turns pays the claims on the government entity's behalf. The Council is responsible for the management and operations of the program. Upon termination of the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the fund of the Council.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

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

**Net Pension Liability/Net OPEB Liability (Asset)**

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions and 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 and OPEB are 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 plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statements No. 68/75 assume the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for the 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 pension plans to amortize unfunded 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.

Since the Educational Service Center is using the cash basis of accounting, there is no accrued pension/OPEB liability (asset) or related deferred inflows or outflows of resources reported in the accompanying financial statements.

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

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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. In 2022, the Retirement Board approved a 2.5 percent COLA for eligible retirees and beneficiaries in 2023.

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, 2023, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2023.

The Educational Service Center’s contractually required contribution to SERS was \$94,488 for fiscal year 2023.

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

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

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



**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective Aug. 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until Aug. 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit at any age.

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The Educational Service Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS Ohio was \$219,284 for fiscal year 2023.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liability**

The net pension liability disclosed as current year below was measured as of June 30, 2022, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0157838%	0.010956240%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0107749%</u>	<u>0.009468607%</u>	
Change from Prior Year	<u>0.0050089%</u>	<u>0.001487633%</u>	
Proportion of the Net Pension Liability	\$853,711	\$2,435,586	\$3,289,297

**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.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – SERS (continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, compared with June 30, 2021, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.4 percent	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of system expenses	7.00 percent net of system expenses
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 the 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.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – SERS (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	-0.45%
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The discount rate for 2021 was 7.0 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.

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Center's proportionate share of the net pension liability	\$1,256,621	\$853,711	\$514,264

**Assumptions and Benefit Changes Since the Prior Measurement Date** - There were no changes in assumptions or benefit terms since the prior measurement date.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation compared to those used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50 %	2.50 %
Projected Salary Increases	Varies by service from 2.5 % to 8.50 %	12.50 % at age 20 to 2.50% at age 65
Payroll increases	3.00 %	3.00 %
COLA or Ad Hoc COLA	0.00 %	0.00 %
Discount rate of return	7.00 %	7.00 %
Investment Rate of Return	7.00 percent net of investment expenses, including inflation	7.00 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 6 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

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

\* Target allocation percentage is effective as of July 1, 2022.

Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

**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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Center’s proportionate share of the net pension liability	\$3,679,284	\$2,435,586	\$1,383,803

**Changes Between the Measurement Date and the Reporting date** STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 7 – DEFINED BENEFIT OPEB PLANS**

See Note 6 for a description of the net OPEB liability (asset). The Educational Service Center reports on the cash basis of accounting, so there is no net OPEB liability(asset) recorded in the accompanying financial statements.

**School Employees Retirement System**

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](http://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 2023, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2023, 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 2023, the Educational Service Center's surcharge obligation was \$12,128.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2023. The Educational Service Center's contractually required contribution to SERS was \$12,128 for fiscal year 2023.

**State Teachers Retirement System of Ohio**

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

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**State Teachers Retirement System of Ohio** (continued)

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 health care plan enrollees 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, 2023, STRS did not allocate any employer contributions to post-employment health care.

**Net Other Post Employment Benefit (OPEB) (Asset) Liability**

The net OPEB (asset) liability was measured as of June 30, 2022, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The Educational Service Center’s proportion of the net OPEB (asset) liability 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.0159640%	0.010956240%	
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	<u>0.0106196%</u>	<u>0.009468607%</u>	
Change in Proportionate Share	<u>0.0053444%</u>	<u>0.001487633%</u>	
Proportion of the Net OPEB Liability	\$224,136	\$0	\$224,136
Proportion of the Net OPEB Asset	\$0	(\$283,694)	(\$283,694)

**Actuarial Assumptions - SERS**

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

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

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



**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.4 percent	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of system expenses	7.00 percent net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)
Municipal Bond Index Rate:	3.69 %	1.92 %
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including		
Price Inflation	4.08 %	2.27 %
Medical Trend Assumption	7.00 to 4.40 %	
Medicare	5.125 to 4.400 %	5.125 to 4.400 %
Pre-Medicare	6.750 to 4.400 %	6.750 to 4.400 %

For 2022 and 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.

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

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 2016 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.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

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 %	-0.45%
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27 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, 2022 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 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

**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 (3.08%) and higher (5.08%) than the current discount rate (4.08%).

	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
Center's proportionate share of the net OPEB liability	\$278,381	\$224,136	\$180,346

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
Center's proportionate share of the net OPEB liability	\$172,849	\$224,136	\$291,125

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021 actuarial valuation are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50 %		2.50 %	
Projected Salary Increases	Varies by service from 2.5 % to 8.50 %		12.50 % at age 20 to 2.50% at age 65	
Payroll increases	3.00 %		3.00 %	
Cost-of-living adjustments (COLA)	0.00 %		0.00 %	
Discount rate of return	7.00 %		7.00 %	
Investment Rate of Return	7.00 percent net of investment expenses, including inflation		7.00 percent net of investment expenses, including inflation	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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

\* Target allocation percentage is effective as of July 1, 2022.

Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and was 7.45% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**Sensitivity of the Educational Service Center’s Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The following table represents the net OPEB liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB (asset) liability 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.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 7 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Center's proportionate share of the net OPEB (asset) liability	(\$262,267)	(\$283,694)	(\$302,047)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
Center's proportionate share of the net OPEB (asset) liability	(\$294,259)	(\$283,694)	(\$270,357)

**Assumption Changes Since the Prior Measurement Date** - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

**Benefit Term Changes Since the Prior Measurement Date** - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

**NOTE 8 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees are awarded up to twenty days of vacation per contract year depending on the contract type.

Employees earn sick leave at the rate of fifteen days per year. Sick leave may be accumulated up to a maximum of 180 days for all personnel. Upon retirement, payment is made for one-half of accrued but unused sick leave credit to a maximum of 90 days.

**B. Health Care Benefits**

The Educational Service Center provides health and major medical insurance for all eligible employees through the Lawrence County Schools Council of Governments Health Benefits Program. The Educational Service Center pays seventy-five percent of monthly premiums, or \$1,801, for family coverage and seventy-five percent of monthly premiums, or \$729 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The Educational Service Center also provides prescription drug insurance to its employees through the same insurance carrier.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS**

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

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Educational Service Center paid META \$27,067 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

*Collins Career Center* – The Collins Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Collins Career Center, 11627 State Route 243, Chesapeake, Ohio 45619. The Educational Service Center made payments in the amount of \$25,223 to the Collins Career Center in fiscal year 2023.

**NOTE 10 - INSURANCE PURCHASING POOLS**

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP 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 provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

The Educational Service Center participates in the Sheakley Workers' Comp and Safety Group Retrospective Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

*Lawrence County Schools Council of Governments Health Benefits Program* - The Educational Service Center is a member of the Lawrence County School Council of Governments Health Benefits Program, a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consist of the superintendent from each participating member. The Council elects officers for one-year terms to serve on the Board of Directors. The Board of Directors exercises control over the operation of the council. All Council revenues are generated from charges for services received from the participating member, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 11 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2023, if applicable, cannot be determined at this time.

**B. Litigation**

The Educational Service Center is currently party to legal proceedings. Subsequent to June 30, 2023 a settlement was reached on the legal proceedings and a settlement payment of \$121,875 was made by the Educational Service Center.

**NOTE 12 – FUND BALANCES**

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

Fund Balances	General Fund	Special Ed Cooperative	Lawrence Co Joint Cooperative	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Restricted for</b>						
Special Education	\$0	\$130,057	\$0	\$0	\$0	\$130,057
Joint Programs	0	0	184,431	0	0	184,431
Grants	0	0	0	0	52,075	52,075
<b>Total Restricted</b>	<b>0</b>	<b>130,057</b>	<b>184,431</b>	<b>0</b>	<b>52,075</b>	<b>366,563</b>
<b>Committed to</b>						
Retirement						
Severance Benefits	15,118	0	0	0	0	15,118
<b>Assigned to</b>						
Other Purposes	32,404	0	0	0	0	32,404
<b>Unassigned</b>	<b>1,233,954</b>	<b>0</b>	<b>0</b>	<b>(35,617)</b>	<b>0</b>	<b>1,198,337</b>
<b>Total Fund Balances</b>	<b>\$1,281,476</b>	<b>\$130,057</b>	<b>\$184,431</b>	<b>(35,617)</b>	<b>\$52,075</b>	<b>\$1,612,422</b>

**NOTE 13 – INTERFUND ACTIVITY**

During the year, the Educational Service Center returned advances of \$8,680 and \$113,178 from the Intern Psychologist Grant non-major Special Revenue Fund and the ESSER major Fund, respectively to the General Fund.

During the year, the Educational Service Center transferred \$500 to the Franklin B. Walter non-major special revenue fund. The Educational Service Center also transferred \$36,823 from the Governor’s Emergency Education Relief non-major Special Revenue Fund to the General Fund to repay it for disbursements made.

**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 14 – COMPLIANCE**

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

**NOTE 15 – 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. The impact on the Educational Service Center's future operating costs, revenues, and recovery from emergency funding (if any), either federal or state, cannot be estimated.

During fiscal year 2023, the Educational Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

**NOTE 16 – NEW ACCOUNTING PRINCIPLES**

For fiscal year 2023, the Educational Service Center has implemented GASB Statement No. 91, "*Conduit Debt Obligations*", GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", GASB Statement No. 96, "*Subscription Based Information Technology Arrangements*", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Educational Service Center.

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



**Lawrence County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**NOTE 16 – NEW ACCOUNTING PRINCIPLES (Continued)**

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

**Lawrence County Educational Service Center**  
*Schedule of Receipts, Disbursements and Changes in  
Fund Balance - Budget (Budget Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2023*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>Cash Receipts</b>				
Intergovernmental	\$ -	\$ 343,655	\$ 301,934	\$ (41,721)
Contract Services	-	1,087,121	955,139	(131,982)
Rent	-	1,434	1,260	(174)
Miscellaneous	-	225,994	198,557	(27,437)
<i>Total Cash Receipts</i>	-	1,658,204	1,456,890	(201,314)
<b>Cash Disbursements</b>				
Current:				
Instruction:				
Adult/Continuing	-	-	424	(424)
Other	-	-	46,326	(46,326)
Support Services:				
Pupils	570,021	570,021	713,396	(143,375)
Instructional Staff	129,102	129,102	249,631	(120,529)
Board of Education	15,103	15,103	113,359	(98,256)
Administration	2,488	2,488	245,537	(243,049)
Fiscal	703	703	171,850	(171,147)
Operation and Maintenance of Plant	364	364	68,517	(68,153)
Central	15,855	15,855	174,670	(158,815)
Capital Outlay	-	-	2,110	(2,110)
<i>Total Cash Disbursements</i>	733,636	733,636	1,785,820	(1,052,184)
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(733,636)	924,568	(328,930)	(1,253,498)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	41,911	36,823	(5,088)
Advances In	-	-	121,858	121,858
Transfers Out	-	-	(500)	(500)
<i>Total Other Financing Sources (Uses)</i>	-	41,911	158,181	116,270
<i>Net Change in Fund Balance</i>	(733,636)	966,479	(170,749)	(1,137,228)
<i>Fund Balance at Beginning of Year</i>	1,475,497	1,475,497	1,475,497	-
<i>Prior Year Encumbrances Appropriated</i>	45,900	45,900	45,900	-
<i>Fund Balance at End of Year</i>	\$ 787,761	\$ 2,487,876	\$ 1,350,648	\$ (1,137,228)

See accompanying notes to the supplementary information.

**Lawrence County Educational Service Center**  
*Schedule of Receipts, Disbursements and Changes in  
Fund Balance - Budget (Budget Basis) and Actual  
Special Ed Cooperative Fund  
For the Fiscal Year Ended June 30, 2023*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>Revenues</b>				
Contract Services	\$ -	\$ 856,367	\$ 847,748	\$ (8,619)
<i>Total Revenues</i>	-	856,367	847,748	(8,619)
<b>Expenditures</b>				
Current:				
Instruction:				
Special	711,947	723,170	721,725	1,445
Support Services:				
Administration	31,235	31,672	34,247	(2,575)
Fiscal	72	72	4,106	(4,034)
Operation and Maintenance of Plant	36,376	37,079	38,451	(1,372)
Central	68,122	68,133	218,798	(150,665)
<i>Total Expenditures</i>	847,752	860,126	1,017,327	(157,201)
<i>Net Change in Fund Balance</i>	(847,752)	(3,759)	(169,579)	(165,820)
<i>Fund Balance at Beginning of Year</i>	273,868	273,868	273,868	-
<i>Prior Year Encumbrances Appropriated</i>	12,374	12,374	12,374	-
<i>Fund Balance at End of Year</i>	<u>\$ (561,510)</u>	<u>\$ 282,483</u>	<u>\$ 116,663</u>	<u>\$ (165,820)</u>

See accompanying notes to the supplementary information.

**Lawrence County Educational Service Center**  
*Schedule of Receipts, Disbursements and Changes in  
Fund Balance - Budget (Budget Basis) and Actual  
Lawrence Co Joint Cooperative Fund  
For the Fiscal Year Ended June 30, 2023*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ -	\$ 530,742	\$ 608,676	\$ 77,934
<i>Total Revenues</i>	-	530,742	608,676	77,934
<b>Expenditures</b>				
Current:				
Instruction:				
Special	83,095	83,106	58,002	25,104
Support Services:				
Administration	93,558	106,867	114,622	(7,755)
Fiscal	20	20	672	(652)
Operation and Maintenance of Plant	4,667	4,667	-	4,667
Central	307,036	307,036	1,112,930	(805,894)
<i>Total Expenditures</i>	488,376	501,696	1,286,226	(784,530)
<i>Net Change in Fund Balance</i>	(488,376)	29,046	(677,550)	(706,596)
<i>Fund Balance at Beginning of Year</i>	744,223	744,223	744,223	-
<i>Prior Year Encumbrances Appropriated</i>	13,320	13,320	13,320	-
<i>Fund Balance at End of Year</i>	\$ 269,167	\$ 786,589	\$ 79,993	\$ (706,596)

See accompanying notes to the supplementary information.

**Lawrence County Educational Service Center**  
*Schedule of Receipts, Disbursements and Changes in  
Fund Balance - Budget (Budget Basis) and Actual  
ESSER Fund  
For the Fiscal Year Ended June 30, 2023*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ -	\$ 632,029	\$ 584,960	\$ (47,069)
<i>Total Revenues</i>	-	632,029	584,960	(47,069)
<b>Expenditures</b>				
Current:				
Support Services:				
Pupils	125,631	125,892	89,731	36,161
Instructional Staff	402,803	406,692	414,441	(7,749)
Board of Education	500	9,529	10,402	(873)
Administration	7,500	7,500	600	6,900
Fiscal	8,260	8,260	3,498	4,762
<i>Total Expenditures</i>	544,694	557,873	518,672	39,201
<i>Excess of Revenues Over Expenditures</i>	(544,694)	74,156	66,288	(7,868)
<b>Other Financing Uses</b>				
Advances Out	-	-	(113,178)	(113,178)
<i>Total Other Financing Uses</i>	-	-	(113,178)	(113,178)
<i>Net Change in Fund Balance</i>	(544,694)	74,156	(46,890)	(121,046)
<i>Fund Balance at Beginning of Year</i>	-	-	-	-
<i>Prior Year Encumbrances Appropriated</i>	9,429	9,429	9,429	-
<i>Fund Balance at End of Year</i>	\$ (535,265)	\$ 83,585	\$ (37,461)	\$ (121,046)

See accompanying notes to the supplementary information.

**Lawrence County Educational Service Center**

*Notes to the Supplementary Information*

*For the Fiscal Year Ended June 30, 2023*

**NOTE 1 - BUDGETARY PROCESS**

The Educational Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center’s Board does follow the budgetary process for control purposes.

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

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

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

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the cash basis of accounting which is not in accordance with the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedule of receipts, disbursements and changes in fund balance – budget (budget basis) and actual – for the General Fund, the Special Ed Cooperative fund, the ESSER fund and the Lawrence Co Joint Cooperative fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. Budgetary revenues and expenditures of the Termination Benefits Fund and Rock Hill Extended Learning Fund are reclassified to the General Fund for cash basis reporting but are not included for budgetary reporting purposes.

The following table summarizes the adjustments necessary to reconcile the cash basis financial statements and budgetary basis schedules for the General Fund and major Special Revenue Funds.

	Net Changes in Fund Balances			
	General	Special Ed Cooperative	Lawrence Co Joint Cooperative	ESSER
Cash Basis	\$ (219,406)	\$ (156,171)	\$ (573,109)	\$ (45,046)
Perspective Difference:				
Activity of Funds Reclassified for Cash Reporting Purposes	81,236	-	-	-
Encumbrances	(32,579)	(13,408)	(104,441)	(1,844)
Budget Basis	<u>\$ (170,749)</u>	<u>\$ (169,579)</u>	<u>\$ (677,550)</u>	<u>\$ (46,890)</u>

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

Independent Auditor's Report

Board Members

Lawrence County Educational Service Center  
304 N. 2nd Street  
Ironton, Ohio 45638

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 Lawrence County Educational Service Center, Lawrence County, Ohio (the Educational Service Center) as of and for the year ended June 30, 2023, 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 July 30, 2024, wherein we noted the Educational Service Center uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Educational Service Center.

**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 opinions 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 of Compliance and Other Matters**

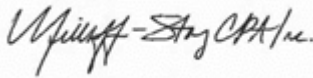
As part of obtaining reasonable assurance about whether the Educational Service Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2023-001.

### **Educational Service Center's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Millhuff-Stang, CPA, Inc.  
Wheelersburg, Ohio

July 30, 2024



**Lawrence County Educational Service Center**

Lawrence County

*Schedule of Findings and Responses*

*For the Fiscal Year Ended June 30, 2023*

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**Finding Number 2023-001**

**Noncompliance**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code 117-2-03 (B) requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). This report is required to be filed with the Auditor of State's office within 150 days of fiscal year-end. The Educational Service Center prepares its financial statements in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, deferred inflows and outflows of resources, net position and fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time.

Pursuant to Ohio Revised Code Section 117.38 the Educational Service Center can be fined and various other remedies may be taken against the Educational Service Center. As such, we recommend the Educational Service Center take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Educational Service Center Response:**

Management of the Educational Service Center does not believe it is cost beneficial to file its financial statements on a GAAP Basis.

**Lawrence County Educational Service Center**

Lawrence County

*Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2023*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
Finding 2022-001	Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Annual Financial Reports	No	Reissued as finding 2023-001

# OHIO AUDITOR OF STATE KEITH FABER



**LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER**

**LAWRENCE 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 11/14/2024**

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

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