EDUCATIONAL SERVICE CENTER OF EASTERN OHIO

MAHONING COUNTY

Single Audit

For the Year Ended June 30, 2023

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board Members
Educational Service Center of Eastern Ohio
7320 N. Palmyra Road
Canfield, Ohio 44406

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of Eastern Ohio, Mahoning County, prepared by Charles E. Harris & Associates, 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 Educational Service Center of Eastern Ohio is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

June 11, 2024

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Mahoning County

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INDEPENDENT AUDITOR'S REPORT

Educational Service Center of Eastern Ohio
Mahoning County
7320 N. Palmyra Road
Canfield, OH 44406

To the Governing Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Educational Service Center of Eastern Ohio, Mahoning County, Ohio (the ESC), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the ESC as of June 30, 2023, and the respective changes in financial position thereof in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the ESC, 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ESC'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 opinion. 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 ESC'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 ESC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ESC's basic financial statements.

The Schedule of Expenditures of Federal Awards (Schedule) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The Schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ESC'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 ESC's internal control over financial reporting and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
May 31, 2024

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The management's discussion and analysis of the Educational Service Center of Eastern Ohio's (the Service Center) financial performance provides an overall review of the Service Center's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Service Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Service Center's financial performance.

Financial Highlights

- Net position increased in fiscal year 2023 due mainly to an increase in cash and cash equivalents resulting from careful monitoring of expenses by Service Center management and to changes in the deferred inflows associated with the net pension and net OPEB (asset)/liabilities.

- Total revenues increased in fiscal year 2023 versus 2022 due to increases in charges for services and operating grants as well as to increases in general revenues. Total expenses increased due largely to adjustments for the net pension liability.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Service Center, presenting both an aggregate view of the Service Center's finances and a longer-term view of those finances.

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

Reporting the Service Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Service Center to provide programs and activities, the view of the Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and deferred outflows of resources* and *liabilities* and *deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and Statement of Activities, all of the Service Center's programs are classified as governmental activities. The Service Center's programs and services include instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Service Center's major funds begins on page 10. Fund financial reports provide detailed information about the Service Center's major funds. The Service Center uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the Service Center's most significant funds. The Service Center's major governmental fund is the general fund.

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

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

The Service Center as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the Service Center as a whole. Table 1 provides a summary of the Service Center's net position for 2023 compared to 2022:

Table 1
Net Position
Governmental Activities

	2023	2022	Change
Assets			
Current and Other Assets	$4,299,498	$3,836,943	$462,555
Net OPEB Asset	1,898,025	1,692,611	205,414
Capital Assets, Net	99,240	205,658	(106,418)
Total Assets	6,296,763	5,735,212	561,551
Deferred Outflows of Resources			
Pension	4,672,838	5,173,348	(500,510)
OPEB	419,364	582,663	(163,299)
Total Deferred Outflows of Resources	5,092,202	5,756,011	(663,809)
Liabilities			
Current Liabilities	2,373,675	2,373,041	(634)
Long-Term Liabilities			
Due Within One Year	113,231	116,456	3,225
Due in More Than One Year			
Net Pension Liability	19,521,816	12,804,394	(6,717,422)
Net OPEB Liability	780,776	1,190,222	409,446
Other Amounts	346,744	343,806	(2,938)
Total Liabilities	23,136,242	16,827,919	(6,308,323)
Deferred Inflows of Resources			
Pension	7,093,613	16,317,893	9,224,280
OPEB	3,007,353	3,020,232	12,879
Total Deferred Inflows of Resources	10,100,966	19,338,125	9,237,159
Net Position			
Net Investment in Capital Assets	66,645	164,858	(98,213)
Restricted for:			
Capital Projects	9,817	9,817	0
OPEB Plans	1,898,025	1,692,611	205,414
Other Purposes	481,118	522,970	(41,852)
Unrestricted (Deficit)	(24,303,848)	(27,065,077)	2,761,229
Total Net Position	($21,848,243)	($24,674,821)	$2,826,578

The net pension liability (NPL) is the largest single liability reported by the Service Center at June 30, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Service Center is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total current and other assets increased primarily due to an increase in cash and cash equivalents due to careful management of resources. Net capital assets decreased due to current year deletions and annual depreciation. Long-term liabilities increased primarily from the increase in net pension liability in fiscal year 2023. The increase in net pension liability is attributable to changes in the pension system valuations.

Table 2 shows the change in net position for fiscal year 2023 as compared to fiscal year 2022.

Table 2
Change in Net Position
Governmental Activities

	2023	2022	Change
Program Revenues			
Charges for Services and Sales	$21,739,282	$20,708,560	$1,030,722
Operating Grants and Contributions	4,572,523	3,790,703	781,820
Total Program Revenues	26,311,805	24,499,263	1,812,542
General Revenues			
Grants and Entitlements	988,885	949,942	38,943
Investment Earnings/Interest	56,863	4,066	52,797
Unrestricted Contributions	14,333	0	14,333
Miscellaneous	387,582	275,204	112,378
Total General Revenues	1,447,663	1,229,212	218,451
Total Revenues	$27,759,468	$25,728,475	$2,030,993

(continued)

Table 2
Change in Net Position
Governmental Activities (continued)

	2023	2022	Change
Program Expenses			
Instruction:			
Regular	$6,133,890	$5,420,192	($713,698)
Special	4,482,187	4,770,083	287,896
Vocational	147,488	106,967	(40,521)
Support Services			
Pupil	6,913,504	5,390,853	(1,522,651)
Instructional Staff	2,241,024	1,210,958	(1,030,066)
Board of Education	68,254	45,227	(23,027)
Administration	810,039	664,547	(145,492)
Fiscal	633,221	485,170	(148,051)
Business	344,431	432,119	87,688
Operation and Maintenance of Plant	859,466	1,430,945	571,479
Central	734,613	456,179	(278,434)
Operation of Non-Instructional Services	1,555,406	1,298,558	(256,848)
Extracurricular Activities	7,489	6,027	(1,462)
Interest	1,878	1,324	(554)
Total Program Expenses	24,932,890	21,719,149	(3,213,741)
Change in Net Position	2,826,578	4,009,326	(1,182,748)
Net Position Beginning of Year	(24,674,821)	(28,684,147)	4,009,326
Net Position End of Year	($21,848,243)	($24,674,821)	$2,826,578

Governmental Activities

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include investment earnings/interest, miscellaneous revenue, unrestricted contributions and unrestricted grants such as State Foundation support.

Program revenues increased for governmental activities in fiscal year 2023 attributable to higher charges for services and operating grants. The increase in operating grants was due mainly to an increase in ESSER funds received during the fiscal year. General revenues increased in fiscal year 2023 resulting mainly from increases in earnings on investments and miscellaneous revenues.

Program expenses increased significantly due mainly to changes in the net pension and net OPEB liabilities. Program expenses related to these liabilities and the corresponding deferred outflows and deferred inflows were a negative ($3,837,757) in fiscal year 2022 versus a negative ($2,470,788) in fiscal year 2023.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2023		2022	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$10,763,565	($1,156,356)	$10,297,242	$2,013,155
Support Services:				
Pupil and Instructional Staff	9,154,528	(1,400,669)	6,601,811	(5,379,574)
Board of Education, Administration.				
Fiscal and Business	1,855,945	355,498	1,627,063	(413,473)
Operation and Maintenance of Plant	859,466	852,474	1,430,945	1,423,550
Central	734,613	(91,180)	456,179	(322,187)
Operation of Non-Instructional Services	1,555,406	52,882	1,298,558	(101,189)
Extracurricular Activities	7,489	6,558	6,027	(1,720)
Interest	1,878	1,878	1,324	1,324
Total	$24,932,890	($1,378,915)	$21,719,149	($2,780,114)

The Service Center's Funds

Information about the Service Center's major funds starts with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $27,680,414 and total expenditures of $27,297,737, leaving a total fund balance at fiscal year-end of $1,034,058. During fiscal year 2023, the general fund balance increased due mainly to a significant increase in charges for services revenue.

Capital Assets and Debt

Capital Assets

For fiscal year 2023, the decrease in capital assets was due to current year deletions and annual depreciation. The Service Center did not have any additions to capital assets in fiscal year 2023. For more information about the Service Center's capital assets, see Note 9 to the basic financial statements.

Debt

For fiscal year 2023, the Service Center's debt obligations consisted of a lease payable for copiers. See Note 14 to the basic financial statements for additional information on the Service Center's long-term obligations.

Current Financial Related Activities

The Service Center relies heavily on contracts with local, city, parochial and community schools in Mahoning County, State Foundation revenue, grants and the fiscal agency role we provide to several entities. The Service Center's financial condition has remained stable. Through new contracts with locals, sponsorship capability and providing the fiscal and administrative role to several entities, the Service Center will be able to provide the necessary funds to meet operating expenses in the future.

There are some challenges that the Service Center faces that can affect funding. One challenge the Service Center faces is the State's financial situation. The State has reduced dollars to the Service Center's State Foundation, major programs and grants. These funds provide support to the Service Center's programs that are offered to the districts the Service Center serves. Without these funds local districts are forced to pay more of the services they contract for. The Service Center is very sensitive to the cost of its programs to Mahoning County districts. Because of the funding reductions made from the State, the Service Center's districts may be forced to contract for services from other entities who offer a better price.

Contacting the Service Center's Financial Management

This financial report is designed to provide our citizens, and investors and creditors with a general overview of the Service Center's finances and to show the Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Ryan Jones, Treasurer, Educational Service Center of Eastern Ohio, 7320 North Palmyra Road, Canfield, Ohio 44406.

Educational Service Center of Eastern Ohio

Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$2,428,920
Accounts Receivable	1,294,661
Intergovernmental Receivable	428,271
Loans Receivable	82,073
Prepaid Items	11,054
Materials and Supplies Inventory	54,519
Net OPEB Asset (See Note 19)	1,898,025
Depreciable Capital Assets, Net	99,240
Total Assets	6,296,763
Deferred Outflows of Resources	
Pension	4,672,838
OPEB	419,364
Total Deferred Outflows of Resources	5,092,202
Liabilities	
Accounts Payable	471,567
Accrued Wages and Benefits	1,437,116
Intergovernmental Payable	241,081
Unearned Revenue	223,911
Long-Term Liabilities:	
Due Within One Year	113,231
Due in More Than One Year:	
Net Pension Liability (See Note 18)	19,521,816
Net OPEB Liability (See Note 19)	780,776
Other Amounts	346,744
Total Liabilities	23,136,242
Deferred Inflows of Resources	
Pension	7,093,613
OPEB	3,007,353
Total Deferred Inflows of Resources	10,100,966
Net Position	
Net Investment in Capital Assets	66,645
Restricted for:	
Capital Projects	9,817
Student Activities	1,793
Athletics	6,991
OPEB Plans	1,898,025
Other Purposes	472,334
Unrestricted (Deficit)	(24,303,848)
Total Net Position	($21,848,243)

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$6,133,890	$6,190,189	$32,063	$88,362
Special	4,482,187	5,241,522	301,489	1,060,824
Vocational	147,488	0	154,658	7,170
Support Services:				
Pupil	6,913,504	6,530,924	1,377,307	994,727
Instructional Staff	2,241,024	1,593,783	1,053,183	405,942
Board of Education	68,254	0	21,343	(46,911)
Administration	810,039	773,455	68,160	31,576
Fiscal	633,221	594,343	43,146	4,268
Business	344,431	0	0	(344,431)
Operation and Maintenance of Plant	859,466	0	6,992	(852,474)
Central	734,613	814,135	11,658	91,180
Operation of Non-Instructional Services	1,555,406	0	1,502,524	(52,882)
Extracurricular Activities	7,489	931	0	(6,558)
Interest	1,878	0	0	(1,878)
Totals	$24,932,890	$21,739,282	$4,572,523	1,378,915

General Revenues	
Grants and Entitlements not Restricted to Specific Programs	988,885
Unrestricted Contributions	14,333
Investment Earnings/Interest	56,863
Miscellaneous	387,582
Total General Revenues	1,447,663
Change in Net Position	2,826,578
Net Position Beginning of Year	(24,674,821)
Net Position End of Year	($21,848,243)

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio

Balance Sheet
Governmental Funds
June 30, 2023

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$1,844,044	$555,770	$2,399,814
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	29,106	0	29,106
Accounts Receivable	1,293,811	850	1,294,661
Intergovernmental Receivable	300	427,971	428,271
Interfund Receivable	111,458	0	111,458
Prepaid Items	10,335	719	11,054
Materials and Supplies Inventory	54,519	0	54,519
Loans Receivable	82,073	0	82,073
Total Assets	$3,425,646	$985,310	$4,410,956
Liabilities			
Accounts Payable	$355,308	$116,259	$471,567
Accrued Wages and Benefits	1,328,436	108,680	1,437,116
Interfund Payable	0	111,458	111,458
Intergovernmental Payable	232,934	8,147	241,081
Unearned Revenue	192,577	31,334	223,911
Total Liabilities	2,109,255	375,878	2,485,133
Deferred Inflows of Resources			
Unavailable Revenue	839,359	52,406	891,765
Fund Balances			
Nonspendable	93,960	719	94,679
Restricted	0	470,468	470,468
Committed	688,741	138,245	826,986
Unassigned (Deficit)	(305,669)	(52,406)	(358,075)
Total Fund Balances	477,032	557,026	1,034,058
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$3,425,646	$985,310	$4,410,956

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023

Total Governmental Fund Balances		$1,034,058
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		99,240
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Intergovernmental	52,706	
Charges for Sevices	839,059	
Total		891,765
The net OPEB asset and net pension/OPEB liabilities are not due and payable in the current period; therefore, the asset, liabilities and related deferred inflows/outflows are not reported in the funds:		
Net OPEB Asset	1,898,025	
Deferred Outflows - Pension	4,672,838	
Deferred Outflows - OPEB	419,364	
Net Pension Liability	(19,521,816)	
Net OPEB Liability	(780,776)	
Deferred Inflows - Pension	(7,093,613)	
Deferred Inflows - OPEB	(3,007,353)	
Total		(23,413,331)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Lease Payable	(32,595)	
Compensated Absences	(427,380)	
Total		(459,975)
Net Position of Governmental Activities		($21,848,243)

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	$1,552,570	$3,977,177	$5,529,747
Investment Earnings/Interest	56,863	0	56,863
Tuition and Fees	2,125,558	0	2,125,558
Extracurricular Activities	0	931	931
Contributions and Donations	14,333	21,343	35,676
Charges for Services	19,538,763	0	19,538,763
Rentals	5,294	0	5,294
Miscellaneous	375,217	12,365	387,582
Total Revenues	23,668,598	4,011,816	27,680,414
Expenditures			
Current:			
Instruction:			
Regular	6,098,339	32,063	6,130,402
Special	5,198,705	297,785	5,496,490
Vocational	0	147,488	147,488
Support Services:			
Pupil	6,426,891	1,506,355	7,933,246
Instructional Staff	1,539,177	1,077,124	2,616,301
Board of Education	46,821	21,433	68,254
Administration	744,362	68,188	812,550
Fiscal	569,235	48,954	618,189
Business	251,807	0	251,807
Operation and Maintenance of Plant	851,839	5,839	857,678
Central	785,107	11,291	796,398
Operation of Non-Instructional Services	714,423	836,749	1,551,172
Extracurricular Activities	0	7,489	7,489
Debt Service:			
Principal Retirement	8,205	0	8,205
Interest	2,068	0	2,068
Total Expenditures	23,236,979	4,060,758	27,297,737
Net Change in Fund Balances	431,619	(48,942)	382,677
Fund Balances Beginning of Year	45,413	605,968	651,381
Fund Balances End of Year	$477,032	$557,026	$1,034,058

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds		$382,677
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Current Year Depreciation/Amortization		(105,024)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,394)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Intergovernmental	10,318	
Charges for Services	68,736	
Total		79,054
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		8,205
In the statement of activities, interest is accrued on outstanding financed purchases, whereas in governmental funds, an interest expenditure is reported when due.		190
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	1,780,865	
OPEB	4,749	
Total		1,785,614
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB asset or liability are reported as pension/OPEB expense in the statement of activities:		
Pension	225,483	
OPEB	459,691	
Total		685,174
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(7,918)
Change in Net Position of Governmental Activities		$2,826,578

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio

Statement of Fiduciary Net Position
Custodial Fund
June 30, 2023

Assets	
Equity in Pooled Cash and Cash Equivalents	$52,553
Intergovernmental Receivable	347,374
Prepaid Items	1,620
Total Assets	401,547
Liabilities	
Accounts Payable	52,550
Accrued Wages and Benefits	115,524
Intergovernmental Payable	58,077
Loans Payable	82,073
Total Liabilities	308,224
Net Position	
Restricted for Individuals, Organizations and Other Governments	$93,323

See accompanying notes to the basic financial statements

Educational Service Center of Eastern Ohio
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2023

Additions	
Amounts Received as Fiscal Agent	$2,837,251
Deductions	
Distributions as Fiscal Agent	2,834,300
Change in Fiduciary Net Position	2,951
Net Position Beginning of Year	90,372
Net Position End of Year	$93,323

See accompanying notes to the basic financial statements

Note 1 – Description of the Service Center

The Educational Service Center of Eastern Ohio (the Service Center), formerly the Mahoning County Educational Service Center, was established on July 18, 1914. The Service Center provides administrative, curricular, instructional, pupil personnel and professional staff development services to local school districts. Direct instructional programs are provided to students with disabilities, preschool students and their families.

The Service Center operates under a locally-elected five-member Governing Board form of government and provides educational services as mandated by State and federal agencies. The Governing Board oversees the Service Center's operation and its staff of 155 certified and 51 non-certified personnel. Staff members support the educational efforts of 21 school districts, 5 community schools and various other entities throughout the County.

Reporting Entity

A reporting entity is comprised 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 Service Center consists of all funds, departments, boards and agencies that are not legally separate from the Service Center. For the Service Center, this includes the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Service Center.

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

The Service Center participates in three jointly governed organizations, one related organization and two shared risk pools. These organizations are Area Cooperative Computerized Educational Service System, State Support Team Region 5, Mahoning Valley Regional Council of Governments, Mahoning County Career and Technical Center, Mahoning County School Employees Insurance Consortium and Southwestern Ohio Educational Purchasing Council. These organizations are presented in Notes 15, 16 and 17 in the notes to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities that are governmental and those that are considered business-type. The Service Center, however, has no business-type activities.

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

Fund Financial Statements During the fiscal year, the Service Center segregates transactions related to certain 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 Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The 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 funds of the Service Center are divided into three categories: governmental, proprietary and fiduciary.

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

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

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

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

The Service Center's fiduciary funds are custodial funds. The Service Center's custodial funds account for monies collected and distributed on behalf of other entities in the Service Center's capacity as their fiscal agent.

Measurement Focus

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

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

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 18 and 19.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Service Center, deferred inflows of resources include pension, OPEB and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the Service Center, unavailable revenue includes intergovernmental and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 18 and 19)

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

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

Budgetary Data

In fiscal year 2004, the Service Center requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Service Center was discretionary, the Service Center continued to have its Board approve appropriations and estimated resources. The 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 Service Center has elected not to present a budgetary schedule as supplementary information for the general fund.

Cash and Cash Equivalents

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

During fiscal year 2023, investments were limited to money market mutual funds, a sweep account and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2023 amounted to $56,863 which includes $13,011 assigned from other Service Center funds.

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants. The 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 fiscal year 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 for deposits and withdrawals of $100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to $250 million per day.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include unspent resources restricted for unclaimed monies.

Capital Assets

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

All capital assets (except for intangible right-to-use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Service Center maintains a capitalization threshold of five hundred dollars. The Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	5 years
Building and Improvements	7 years
Equipment and Furniture	5 - 15 years
Vehicles	10-11 years
Intangible Right to Use - Equipment	5 years

The Service Center is reporting intangible right to use assets related to lease assets. The lease asset includes equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Pass-Through Grants

The Service Center is the primary recipient of grants, which are passed-through to or spent on behalf of the local school districts within the County. When the Service Center has a financial or administrative role in the grants, the grants are reported as revenues and expenditures in a nonmajor governmental fund. Grants in which the Service Center has no financial or administrative role and are passed-through to the local school districts in the County are reported in a custodial fund.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the Service Center's past experience of making termination payments.

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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 the highest level formal action (resolution) of the Service Center's Governing Board. Those committed amounts cannot be used for any other purpose unless the Service Center's Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the 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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the Service Center Governing Board. In the general fund, assigned amounts represent intended uses established by policies and authorized purchase commitments by the Service Center Governing Board or Service Center official delegated that authority by resolution or by State Statue.

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

The 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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Service Center recognizes unearned revenue for charges for services and intergovernmental revenue from grants received before the eligibility requirements are met.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. Net position restricted for other purposes include resources restricted for instruction, support services, and operation of non-instructional services.

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

Estimates

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

Leases

The Service Center serves a lessee in a noncancellable lease. At the commencement of a lease, the Service Center initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Note 3 – Change in Accounting Principle

For fiscal year 2023, the Service Center implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies 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 Service Center did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Service Center did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Service Center did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

Note 4 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Nonspendable			
Prepaids	$10,335	$719	$11,054
Materials and Supplies Inventory	54,519	0	54,519
Unclaimed Monies	29,106	0	29,106
Total Nonspendable	93,960	719	94,679
Restricted for			
Instructional Services and Programs	0	380,966	380,966
Scholarships	0	22,098	22,098
Student Activities	0	1,793	1,793
Athletics	0	6,991	6,991
Teacher Development	0	48,803	48,803
Capital Improvements	0	9,817	9,817
Total Restricted	0	470,468	470,468
Committed to			
Jointly Governed Organizations	603,807	0	603,807
Support Services	73,200	0	73,200
Auditing/Consulting Services	11,734	0	11,734
Capital Improvements	0	138,245	138,245
Total Committed	688,741	138,245	826,986
Unassigned (Deficit)	(305,669)	(52,406)	(358,075)
Total Fund Balances	$477,032	$557,026	$1,034,058

Note 5 – Fund Deficits

As of June 30, 2023, the public preschool special revenue fund had a deficit fund balance of $52,406.

This deficit is the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 - Deposits and Investments

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

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

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

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

Interim monies held by the Service Center can 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 daily, and the term of the agreement must not exceed thirty days;

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

Investments

As of June 30, 2023, the Service Center had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share:				
STAR Ohio	$1,924,258	Average 38.5 Days	AAAm	N/A
Fair Value - Level One Input:				
Mutual Funds	158,616	Less Than One Year	AAAm	6.55 %
Fair Value - Level Two Inputs:				
Sweep Account	337,885	Less Than One Year	N/A	13.96
Totals	$2,420,759			

The Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Service Center's recurring fair value measurements as of June 30, 2023. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The Service Center's remaining investments, except STAR Ohio, measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk. As a means of limiting its exposure to fair value losses caused by rising interest rates, the Service Center's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from date of purchase and that the Service Center's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit are not rated. The Service Center has no investment policy that addresses credit risk.

Concentration of Credit Risk. The Service Center places no limit on the amount it may invest in any one issuer.

Note 7 - Receivables

Receivables at June 30, 2023, consisted of accounts, loans (to cover negative year-end cash balances in custodial funds) and intergovernmental receivables. All receivables are considered collectible in full within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Miscellaneous Federal Grants	$148,435
Miscellaneous State Grants	92,790
Public Preschool Grants	72,119
GEER Grants	66,318
ESSER Grants	44,108
Miscellaneous Local Grants	2,905
Limited English Proficiency Grants	1,250
State Foundation Adjustments	300
Data Communication Grants	46
Total	$428,271

Note 8 – State Funding

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

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

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

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Depreciable/Amortized Capital Assets				
Land Improvements	$2,482	$0	$0	$2,482
Buildings and Improvements	578,260	0	0	578,260
Equipment and Furniture	1,512,134	0	(6,543)	1,505,591
Vehicles	80,944	0	0	80,944
Intangible Right to Use - Equipment**	44,942	0	0	44,942
Total Depreciable/Amortized Capital Assets	2,218,762	0	(6,543)	2,212,219
Less: Accumulated Depreciation/ Amortization				
Land Improvements	(2,482)	0	0	(2,482)
Buildings and Improvements	(455,686)	(83,277)	0	(538,963)
Equipment and Furniture	(1,473,890)	(11,504)	5,149	(1,480,245)
Vehicles	(76,552)	(1,255)	0	(77,807)
Intangible Right to Use - Equipment**	(4,494)	(8,988)	0	(13,482)
Total Accumulated Depreciation/ Amortization	(2,013,104)	(105,024) *	5,149	(2,112,979)
Governmental Activities Capital Assets, Net	$205,658	($105,024)	($1,394)	$99,240

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

Instruction	
Regular	$3,085
Special	2,697
Support Services	
Pupil	644
Instructional Staff	1,645
Administration	1,146
Fiscal	1,589
Business	90,723
Operation and Maintenance of Plant	1,788
Operation of Non-Instructional Services	1,707
Total Depreciation/Amortization Expense	$105,024

** Of the current year depreciation/amortization total of $105,024, $8,988 is presented as instruction and support service expenses on the Statement of Activities related to the Service Center's intangible asset of equipment for a copier, which is included as an Intangible Right to Use Equipment.

Note 10 – Interfund Balances

There was an interfund receivable/payable of $111,458 reported between the general fund and the other governmental funds at June 30, 2023. The interfund balances were due to due to the timing of grant receipts. The balances are anticipated to be repaid within one year.

Note 11 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from the negotiated agreement and State laws. Certified and classified 260 day employees earn 10 to 34 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to certified and classified employees upon termination of employment. Teachers and certificated personnel employed for less than 260 days do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 53 days.

Life Insurance Benefits

The Service Center provides group life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company/OneAmerica Company, in the amount of $25,000.

Note 12 - Risk Management

Property and Liability

The Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the Service Center utilized the following insurance broker, L. Calvin Jones, LLC, for property and general liability insurance.

Professional liability is provided by the Selective Insurance Company with a $3,000,000 annual aggregate/$1,000,000 single occurrence limit and $1,000 deductible. Additionally, the Service Center carries a $4,000,000 Umbrella policy. Vehicles are covered by the Selective Insurance Company and hold a $500 deductible for comprehensive and collision. Automobile liability has a $1,000,000 combined single limit of liability. 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.

Worker's Compensation

For fiscal year 2023, the Service Center participated in the Southwestern Ohio Educational Purchasing Council's, Schools B, Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual performance rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Participation in the GRP is limited to members that can meet the GRP's selection criteria. The Benefits 1 Group provides administrative, cost control and actuarial services to the GRP.

Employee Medical Benefits

The Service Center has contracted with the Mahoning County School Employees Insurance Consortium to provide employee medical/surgical, dental and prescription drug benefits. The Consortium is administered by Anthem. Contribution rates are calculated and set through an annual update process. The Service Center pays a monthly contribution which is placed in a common fund from which claims or payments are made for all participating school districts and claims are paid for all participants regardless of claims flow. The Consortium is responsible for paying health plan claims up to $300,000 per individual per year. Any claims exceeding the $300,000 is covered by the Service Center's stop-loss carrier. Monthly premiums are as follows:

	Single Coverage		Family Coverage	
	Employee Share	Board Share	Employee Share	Board Share
Life	$0.00	$2.38	$1.60	$2.38
Dental	6.49	29.59	21.73	65.19
Medical/Perscription	129.46	589.74	503.41	1,510.25
Vision	5.48	0.00	16.42	0.00

	Employee Spouse Coverage		Employee Children Coverage	
	Employee Share	Board Share	Employee Share	Board Share
Life	N/A	N/A	N/A	N/A
Dental	16.96	50.86	15.15	45.45
Medical/Perscription	377.55	1,132.67	305.64	916.94
Vision	10.96	0.00	9.84	0.00

Group Life Insurance - $25,000
Employee Paid Supplemental Life - $2,500 for Children, $5,000 for Spouse

Note 13 – Contingencies

Grants

The 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 Service Center. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Service Center.

Foundation

Service Center foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The ODE has finalized the impact of enrollment adjustments to the June 30, 2023 foundation funding for the Service Center.

Litigation

The Service Center is not party to any legal proceedings that will have a material, if any, effect on the financial statements as of June 30, 2023.

Note 14 – Long-Term Obligations

The changes in the Service Center's long-term obligations during fiscal year 2023 were as follows:

Governmental Activities	Principal Outstanding June 30, 2022	Additions	Deductions	Principal Outstanding June 30, 2023	Amount Due in One Year
Other Long-term Obligations					
Net Pension Liability					
SERS	2,540,041	686,706	0	3,226,747	0
STRS	10,264,353	6,030,716	0	16,295,069	0
Total Net Pension Liability	12,804,394	6,717,422	0	19,521,816	0
Net OPEB Liability					
SERS	1,190,222	0	(409,446)	780,776	0
Lease Payable	40,800	0	(8,205)	32,595	8,674
Compensated Absences	419,462	116,169	(108,251)	427,380	104,557
Total Other Long-term Obligations	14,454,878	6,833,591	(525,902)	20,762,567	113,231
Total Governmental Activities Long-Term Liabilities	$14,454,878	$6,833,591	($525,902)	$20,762,567	$113,231

The Service Center has an outstanding agreement to lease copiers. The future lease payments were discounted based on the interest rate implicit in the lease. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining lease is as follows:

Year	Principal	Interest
2024	$8,674	$1,599
2025	9,171	1,102
2026	9,696	578
2027	5,054	83
	$32,595	$3,362

Compensated absences will be paid from the general fund and the other local grants, public preschool, miscellaneous state grants and miscellaneous federal grant special revenue funds. The lease will be paid from the general fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the general fund. For additional information related to the net pension and net OPEB liabilities see Notes 18 and 19.

Note 15 - Jointly Governed Organizations

Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge before any e-rate credits. The Service Center paid $23,933 to ACCESS during fiscal year 2023. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Board. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer of the Access Council of Governments, 493 Bev Road, Unit 1, Boardman, Ohio 44514.

State Support Team Region 5

The State Support Region 5 (SST) is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties and Youngstown City. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and in particular, to improvements in instructional programs.

The SST is governed by a Governing Board made up of 19 representatives of the participating school districts, the business community and Youngstown State University. Members' terms rotate annually. The degree of control exercised by any participating school district is limited to its representation of the Governing Board. The Service Center serves as fiscal agent for the SST.

Mahoning Valley Regional Council of Governments

The Mahoning Valley Regional Council of Governments Council ("Council") was created as a regional council of governments by an Agreement between the Board of Education of the Service Center, the Board of Education of the Struthers City School District ("Struthers CSD") and the Board of Education of the Canfield Local School District ("Canfield LSD"). The Council is governed by a Governing Board consisting of one elected member of the Service Center and one elected board member from the county to be chosen by appointment from the Service Center Board; the Struthers CSD Superintendent; the Canfield LSD Superintendent; and two at-large Superintendent representatives and one at-large Treasurer member. The Service Center's Treasurer is the Fiscal Officer for the Council.

The Council employs personnel to perform teaching and non-teaching services for educational entities, and the Council provides for the assignment, reassignment, evaluation, discipline, compensation and fringe benefits for such personnel. The Council enters into service agreements with participating entities in which the entities agree to pay the Council a percentage of all personnel costs incurred by the Council required to perform the services desired.

Note 16 – Related Organization

Mahoning County Career and Technical Center As defined by Section 3311.18 of the Ohio Revised Code, the Mahoning County Career and Technical Center is a joint vocational school district. As of June 30, 2023 four the Governing Board members of the Service Center are also members of the Governing Board of the Mahoning County Career and Technical Center, which includes 4 other members. The Governing Board of the Service Center cannot directly impose their will on the Mahoning County Career and Technical Center.

Note 17 – Shared Risk Pools

Mahoning County School Employees Insurance Consortium The Service Center participates in the Mahoning County Schools Employees Insurance Consortium (Consortium). This is a shared risk pool composed of twelve Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

Southwestern Ohio Educational Purchasing Council The Service Center participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the Service Center pays an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 19 for the required OPEB disclosures.

School Employees Retirement System (SERS)

Plan Description – 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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Service Center's contractually required contribution to SERS was $342,624 for fiscal year 2023. Of this amount $8,647 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 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 their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The Service Center's contractually required contribution to STRS was $1,438,241 for fiscal year 2023. Of this amount $168,014 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Service Center's proportion of the net pension liability was based on the Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05965760%	0.07330174%	
Prior Measurement Date	0.06884120%	0.08027870%	
Change in Proportionate Share	-0.00918360%	-0.00697696%	
Proportionate Share of the Net Pension Liability	$3,226,747	$16,295,069	$19,521,816
Pension Expense	($115,581)	($109,902)	($225,483)

At June 30, 2023, the Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$130,685	$208,597	$339,282
Changes of assumptions	31,839	1,950,030	1,981,869
Net difference between projected and actual earnings on pension plan investments	0	567,033	567,033
Changes in proportionate share and difference between Service Center contributions and proportionate share of contributions	3,789	0	3,789
Service Center contributions subsequent to the measurement date	342,624	1,438,241	1,780,865
Total Deferred Outflows of Resources	$508,937	$4,163,901	$4,672,838
Deferred Inflows of Resources			
Differences between expected and actual experience	$21,183	$62,334	$83,517
Changes of assumptions	0	1,467,812	1,467,812
Net difference between projected and actual earnings on pension plan investments	112,598	0	112,598
Changes in proportionate share and difference between Service Center contributions and proportionate share of contributions	342,869	5,086,817	5,429,686
Total Deferred Inflows of Resources	$476,650	$6,616,963	$7,093,613

$1,780,865 reported as deferred outflows of resources related to pension resulting from Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	($156,913)	($2,280,402)	($2,437,315)
2025	(179,694)	(1,793,181)	(1,972,875)
2026	(160,850)	(1,470,304)	(1,631,154)
2027	187,120	1,652,584	1,839,704
Total	($310,337)	($3,891,303)	($4,201,640)

Actuarial Assumptions – SERS

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

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

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

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

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation	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
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 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 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Service Center's proportionate share of the net pension liability	$4,749,618	$3,226,747	$1,943,749

Actuarial Assumptions – STRS

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

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent 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 percent 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 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 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.

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	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 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 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 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 rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the 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 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%)
Service Center's proportionate share of the net pension liability	$24,615,917	$16,295,069	$9,258,208

Note 19 – Defined Benefit OPEB Plans

See Note 18 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Health Care Plan Description - The Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned.

For fiscal year 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 Service Center's surcharge obligation was $4,749.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Service Center's contractually required contribution to SERS was $4,749 for fiscal year 2023. Of this amount $4,749 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Service Center's proportion of the net OPEB liability (asset) was based on the Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.05561050%	0.07330174%	
Prior Measurement Date	0.06288880%	0.08027870%	
Change in Proportionate Share	-0.00727830%	-0.00697696%	
Proportionate Share of the:			
Net OPEB Liability	$780,776	$0	$780,776
Net OPEB (Asset)	$0	($1,898,025)	($1,898,025)
OPEB Expense	($149,666)	($310,025)	($459,691)

At June 30, 2023, the Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$6,564	$27,515	$34,079
Changes of assumptions	124,192	80,850	205,042
Net difference between projected and actual earnings on OPEB plan investments	4,058	33,040	37,098
Changes in proportionate share and difference between Service Center contributions and proportionate share of contributions	30,796	107,600	138,396
Service Center contributions subsequent to the measurement date	4,749	0	4,749
Total Deferred Outflows of Resources	$170,359	$249,005	$419,364
Deferred Inflows of Resources			
Differences between expected and actual experience	$499,443	$285,047	$784,490
Changes of assumptions	320,515	1,345,883	1,666,398
Changes in proportionate share and difference between Service Center contributions and proportionate share of contributions	492,009	64,456	556,465
Total Deferred Inflows of Resources	$1,311,967	$1,695,386	$3,007,353

$4,749 reported as deferred outflows of resources related to OPEB resulting from Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	($253,359)	($403,496)	($656,855)
2025	(264,938)	(397,083)	(662,021)
2026	(234,177)	(222,207)	(456,384)
2027	(145,890)	(89,138)	(235,028)
2028	(93,023)	(111,358)	(204,381)
Thereafter	(154,970)	(223,099)	(378,069)
Total	($1,146,357)	($1,446,381)	($2,592,738)

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.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 18.

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, 2021, 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 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%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Service Center's proportionate share of the net OPEB liability	$969,737	$780,776	$628,235

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
Service Center's proportionate share of the net OPEB liability	$602,119	$780,776	$1,014,133

Actuarial Assumptions – STRS

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

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent 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 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 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.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 18.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Service Center's proportionate share of the net OPEB (asset)	($1,754,675)	($1,898,025)	($2,020,818)

	1% Decrease	Current Trend Rate	1% Increase
Service Center's proportionate share of the net OPEB (asset)	($1,968,715)	($1,898,025)	($1,808,799)

Note 20 – Encumbrances

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

Governmental Funds	
General	$3,391,046
Other Governmental Funds	348,653
Total Governmental Funds	$3,739,699

Note 21 – 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 ended in April 2023. During fiscal year 2023, the Service Center received COVID-19 funding. The Service Center will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Required Supplementary Information

Educational Service Center of Eastern Ohio
Required Supplementary Information
Schedule of the Service Center's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2023	2022	2021	2020
Service Center's Proportion of the Net Pension Liability	0.05965760%	0.06884120%	0.06860140%	0.07695420%
Service Center's Proportionate Share of the Net Pension Liability	$3,226,747	$2,540,041	$4,537,441	$4,604,305
Service Center's Covered Payroll	$2,220,614	$2,392,121	$2,378,393	$2,661,830
Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.31%	106.18%	190.78%	172.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.08539410%	0.07750780%	0.14777739%	0.16030420%	0.16405900%	0.16405900%
$4,890,678	$4,630,920	$10,815,942	$9,147,113	$8,302,933	$9,756,062
$2,743,119	$2,523,157	$4,616,327	$4,825,994	$4,767,237	$2,949,913
178.29%	183.54%	234.30%	189.54%	174.17%	330.72%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

Educational Service Center of Eastern Ohio

Required Supplementary Information

Schedule of the Service Center's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Seven Fiscal Years (1)

	2023	2022	2021
Service Center's Proportion of the Net OPEB Liability	0.05561050%	0.06288880%	0.06299960%
Service Center's Proportionate Share of the Net OPEB Liability	$780,776	$1,190,222	$1,369,187
Service Center's Covered Payroll	$2,220,614	$2,392,121	$2,378,393
Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.16%	49.76%	57.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.07030670%	0.07775720%	0.07091630%	0.15372379%
$1,768,066	$2,157,195	$1,903,207	$4,268,649
$2,661,830	$2,743,119	$2,523,157	$4,616,327
66.42%	78.64%	75.43%	92.47%
15.57%	13.57%	12.46%	11.49%

Educational Service Center of Eastern Ohio

Required Supplementary Information

Schedule of the Service Center's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	2023	2022	2021	2020
Service Center's Proportion of the Net Pension Liability	0.07330174%	0.08027870%	0.09477194%	0.11172415%
Service Center's Proportionate Share of the Net Pension Liability	$16,295,069	$10,264,353	$22,931,437	$24,707,124
Service Center's Covered Payroll	$9,418,521	$9,627,207	$11,139,800	$12,882,207
Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.01%	106.62%	205.85%	191.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.12651032%	0.11792976%	0.11788892%	0.10898240%	0.11166218%	0.11166218%
$27,816,779	$28,014,467	$39,460,976	$30,119,548	$27,160,107	$32,352,941
$14,615,386	$12,950,043	$12,711,636	$11,418,079	$11,408,792	$11,131,354
190.33%	216.33%	310.43%	263.79%	238.06%	290.65%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2023	2022	2021
Service Center's Proportion of the Net OPEB Asset/Liability	0.07330174%	0.08027870%	0.09477194%
Service Center's Proportionate Share of the Net OPEB (Asset) Liability	($1,898,025)	($1,692,611)	($1,665,616)
Service Center's Covered Payroll	$9,418,521	$9,627,207	$11,139,800
Service Center's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-20.15%	-17.58%	-14.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.70%	174.70%	182.10%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017
0.11172415%	0.12651032%	0.11792976%	0.11788892%
($1,850,420)	($2,032,892)	$4,601,184	$6,304,811
$12,882,207	$14,615,386	$12,950,043	$12,711,636
-14.36%	-13.91%	35.53%	49.60%
174.70%	176.00%	47.10%	37.30%

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

	2023	2022	2021	2020
Net Pension Liability				
Contractually Required Contribution	$342,624	$310,886	$334,897	$332,975
Contributions in Relation to the Contractually Required Contribution	(342,624)	(310,886)	(334,897)	(332,975)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Service Center Covered Payroll (1)	$2,447,314	$2,220,614	$2,392,121	$2,378,393
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	$4,749	$8,749	$3,022	$1,745
Contributions in Relation to the Contractually Required Contribution	(4,749)	(8,749)	(3,022)	(1,745)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.19%	0.39%	0.13%	0.07%
Total Contributions as a Percentage of Covered Payroll (2)	14.19%	14.39%	14.13%	14.07%

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

See accompanying notes to the required supplementary information

	2019	2018	2017	2016	2015	2014
	$359,347	$370,321	$353,242	$646,286	$636,066	$660,739
	(359,347)	(370,321)	(353,242)	(646,286)	(636,066)	(660,739)
	$0	$0	$0	$0	$0	$0
	$2,661,830	$2,743,119	$2,523,157	$4,616,327	$4,825,994	$4,767,237
	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
	$16,123	$16,308	$2,793	$77,806	$121,180	$91,890
	(16,123)	(16,308)	(2,793)	(77,806)	(121,180)	(91,890)
	$0	$0	$0	$0	$0	$0
	0.61%	0.59%	0.11%	1.69%	2.51%	1.93%
	14.11%	14.09%	14.11%	15.69%	15.69%	15.79%

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

	2023	2022	2021	2020
Net Pension Liability				
Contractually Required Contribution	$1,438,241	$1,318,593	$1,347,809	$1,559,572
Contributions in Relation to the Contractually Required Contribution	(1,438,241)	(1,318,593)	(1,347,809)	(1,559,572)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Service Center Covered Payroll (1)	$10,273,150	$9,418,521	$9,627,207	$11,139,800
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The Service Center's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
$1,803,509	$2,046,154	$1,813,006	$1,779,629	$1,598,531	$1,483,143
(1,803,509)	(2,046,154)	(1,813,006)	(1,779,629)	(1,598,531)	(1,483,143)
$0	$0	$0	$0	$0	$0
$12,882,207	$14,615,386	$12,950,043	$12,711,636	$11,418,079	$11,408,792
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%
$0	$0	$0	$0	$0	$114,088
0	0	0	0	0	(114,088)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used.

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

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent 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 percent 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.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Changes in Benefit Term – STRS

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient's retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

Net OPEB Liability

Changes in Assumptions – SERS

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

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:	
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

Changes in Benefit Terms – STRS

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

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

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

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

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

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

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Educational Service Center of Eastern Ohio
Mahoning County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023
(Prepared by Management)

FEDERAL GRANTOR ***Pass Through Grantor*** **Program/Cluster Title**	**Federal AL Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster		
National School Breakfast Program	10.553	$ 10,147
National School Lunch Program	10.555	17,622
National School Lunch Program (COVID-19); Supply Chain Assistance, Emergency Operating Costs	10.555	6,113
Total Child Nutrition Cluster		**33,882**
P-EBT Administrative Reimbursement	10.649	628
Total U.S. Department of Agriculture		**34,510**
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
COVID-19 Education Stabilization Fund		
Governor's Emergency Education Relief (GEER I and II) Fund	84.425C	76,153
Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425D	223,449
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	1,078,172
Total COVID-19 Education Stabilization Fund		**1,377,774**
Special Education Cluster		
Special Education Grants to States (IDEA Part B)	84.027	1,788,404
Special Education Preschool Grants (IDEA Preschool)	84.173	130,550
Total Special Education Cluster		**1,918,954**
Special Education State Personnel Development	84.323	230,717
Special Education Technical Assistance	84.326	2,127
English Language Acquisition Grants	84.365	40,202
Supporting Effective Instruction - OTES 2.0 Grant	84.367	(944)
Title I Grants to Local Educational Agencies	84.010	90,857
Comprehensive Literacy State Development Grant	84.371C	65,778
Striving Readers Comprehensive Literacy Grant	84.371C	32,947
Total Comprehensive Literacy Grant		98,725
Total Passed Through Ohio Department of Education		**3,758,412**
Passed Through Ohio Rehabilitation Services Commission		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	531,113
Total Passed Through Ohio Rehabilitation Services Commission		**531,113**

Educational Service Center of Eastern Ohio
Mahoning County
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2023
(Prepared by Management)

FEDERAL GRANTOR ***Pass Through Grantor*** **Program/Cluster Title**	**Federal AL Number**	**Total Federal Expenditures**
Passed Through Ohio State University		
Statewide Family Engagement Centers	84.310A	102,310
Total Passed Through Ohio State University		**102,310**
Total U.S. Department of Education		**4,391,835**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES ***Passed Through the Ohio Department of Health***		
Maternal, Infant, and Early Childhood Home Visiting Program	93.870	524,524
Total Passed Through Ohio Department of Health		**524,524**
Total U.S. Department of Health and Human Services		**524,524**
U.S. DEPARTMENT OF JUSTICE PROGRAMS ***Passed through the Ohio Department of Youth Services***		
Title II Formula Grant - Reduction Youth Substance Abuse and Violence	16.540	20,000
Total Passed through the Ohio Department of Youth Services		**20,000**
Total U.S. Department of Justice Programs		**20,000**
U.S. DEPARTMENT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE ***Passed through the Educational Service Center of Central Ohio***		
AmeriCorps State and National Grant	94.006	36,164
Total Passed through the Educational Service Center of Central Ohio		**36,164**
Total U.S. Department of Coportaion for National and Community Service		**36,164**
Total Expenditures of Federal Awards		**$ 5,007,033**

Educational Service Center of Eastern Ohio
Mahoning County
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2023
(Prepared by Management)

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Educational Service Center of Eastern Ohio, Mahoning County, (the ESC) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the ESC, it is not intended to and does not present the financial position or changes in net position of the ESC.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The ESC has an approved Indirect Cost Plan with the Ohio Department of Education for the year ended June 30, 2023. The Restricted Indirect Cost Rate was 2.91% and the Unrestricted Indirect Cost Rate was 13.18%.

NOTE D - CHILD NUTRITION CLUSTER

The ESC commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the ESC assumes it expends federal monies first.

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The ESC transferred the following amounts from 2023 to 2024 programs:

Program Title	AL Number	Amount Transferred
State Professional Development Grant – MTSS	84.323	$118,193

NOTE F – OHIO DEPARTMENT OF HEALTH RECEIPTS

The following table shows Federal grant receipts that were received during July 1, 2022 to June 30, 2023 for grants that were passed through the Ohio Department of Health to the ESC.

Grant	AL Number	Amount Received
Maternal, Infant, and Early Childhood Home Visiting Program	93.870	$651,417

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Parma, OH 44129-2550
Charles E. Harris & Associates, Inc.
Phone - (216) 575-1630
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH _GOVERNMENT AUDITING STANDARDS_

Educational Service Center of Eastern Ohio
Mahoning County
7320 N. Palmyra Road
Canfield, OH 44406

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Educational Service Center of Eastern Ohio, Mahoning County, Ohio (the ESC) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated May 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the ESC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ESC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ESC'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 ESC's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the ESC's management in a separate letter dated May 31, 2024.

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 ESC'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 ESC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
May 31, 2024

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Parma, OH 44129-2550
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Educational Service Center of Eastern Ohio
Mahoning County
7320 N. Palmyra Road
Canfield, OH 44406

To the Governing Board:

Report on Compliance for the Major Federal Programs

Opinion on the Major Federal Programs

We have audited the Educational Service Center of Eastern Ohio, Mahoning County, Ohio's (the ESC) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the ESC's major federal programs for the year ended June 30, 2023. The ESC's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, the ESC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Programs

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
May 31, 2024

Educational Service Center of Eastern Ohio
Mahoning County
Schedule of Findings
2 CFR § 200.515
June 30, 2023

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster – ALN #84.027 and #84.173 COVID 19 Education Stabilization Fund – ALN # 84.425
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER

MAHONING COUNTY EDUCATIONAL SERVICE CENTER DBA EDUCATIONAL SERVICE CENTER OF EASTERN OHIO

MAHONING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 6/25/2024