MUSKINGUM VALLEY
EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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800-282-0370

Board of Education
Muskingum Valley Educational Service Center
205 N. Seventh Street
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the Muskingum Valley Educational Service Center, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 2023 through June 30, 2024. 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 Muskingum Valley Educational Service Center is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2025

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Muskingum Valley Educational Service Center
Muskingum County, Ohio
June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Education and Management
Muskingum Valley ESC
205 N Seventh St.
Zanesville, OH 43701

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley ESC (the "ESC"), Muskingum County, Ohio, as of and for the year ended June 30, 2024, 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum Valley ESC, Muskingum County, Ohio, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2024 on our consideration of the ESC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Zanesville, Ohio
December 26, 2024

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The discussion and analysis of the Muskingum Valley Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2024 are as follows:

- Net position of governmental activities increased $2,597,197.

- Capital assets increased $44,763 during fiscal year 2024.

Using this Annual Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other non-major funds presented in total in one column. In the case of the Educational Service Center, the general, the tele-mental health, and ESSER funds are the most significant funds.

Reporting the Educational Service Center as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for School Districts, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2024?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund, and the Tele-Mental Health Grant, Elementary and Secondary School Emergency Relief (ESSER).

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

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

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The Educational Service Center as a Whole

Recall that the Statement of Net Position provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position for governmental activities for fiscal year 2024 compared to fiscal year 2023.

Table 1
Net Position

	Governmental Activities		
	2024	2023	Change
Assets			
Current & Other Assets	$ 9,093,354	$ 8,210,002	$ 883,352
Net OPEB Asset	1,237,613	1,580,920	(343,307)
Capital Assets	886,004	841,241	44,763
Total Assets	11,216,971	10,632,163	584,808
Deferred Outflows of Resources			
Pension & OPEB	5,927,082	4,987,449	939,633
Liabilities			
Current & Other Liabilities	3,645,285	3,041,267	604,018
Long-Term Liabilities:			
Due Within One Year	65,882	45,170	20,712
Due In More Than One Year:			
Pension & OPEB	21,537,025	20,199,424	1,337,601
Other Amounts	1,060,268	1,446,889	(386,621)
Total Liabilities	26,308,460	24,732,750	1,575,710
Deferred Inflows of Resources			
Pension & OPEB	6,347,806	8,996,272	(2,648,466)
Net Position			
Net Investment in Capital Assets	660,311	600,953	59,358
Restricted	2,186,266	591,934	1,594,332
Unrestricted	(18,358,790)	(19,302,297)	943,507
Total Net Position	$ (15,512,213)	$ (18,109,410)	$ 2,597,197

Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability, pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are the largest liabilities reported by the Educational Service Center at fiscal year-end. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Educational Service Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (NOA/NOL) to the reported net position and subtracting deferred outflows related to pension and the net OPEB assets.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and intangibles. These capital assets are used to provide services to students and are not available for future spending. Although the Educational Service Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Educational Service Center's net position represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit balance.

Current and other assets increased primarily due to increases in accounts receivable and intergovernmental receivable. The increases in accounts receivable and intergovernmental receivable were primarily caused by the timing of expenditures and collection payments for services rendered and grants not yet received.

Current and other liabilities increased due to an increase in unearned revenue. This increase is due to several new grants received by the Educational Service Center but have not been fully expended in 2024. Other amounts due in more than one year decreased from reduced compensated absences as fewer employees were eligible to accrue compensated absences.

There was a significant change in net pension/OPEB liability/asset for the Educational Service Center. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the Educational Service Center's financial statements All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

Table 2 shows the changes in net position for governmental activities for the fiscal year 2024 and comparisons to fiscal year 2023.

Table 2
Changes in Net Position

	Governmental Activities		
	2024	2023	Change
Revenues			
Program Revenues			
Charges for Services	$ 15,342,731	$ 15,113,717	$ 229,014
Operating Grants	7,247,591	5,906,269	1,341,322
Capital Grants	-	206,707	(206,707)
Total Program Revenues	22,590,322	21,226,693	1,363,629
General Revenues			
Grants & Entitlements	630,063	1,064,231	(434,168)
Other	208,999	116,396	92,603
Total General Revenues	839,062	1,180,627	(341,565)
Total Revenues	23,429,384	22,407,320	1,022,064
Program Expenses			
Instruction:			
Regular	1,366,626	626,267	740,359
Special	5,764,128	5,976,330	(212,202)
Adult/Continuing	4,727	-	4,727
Student Intervention Services	2,003,264	1,247,262	756,002
Support Services:			
Pupils	4,801,016	4,685,340	115,676
Instructional Staff	3,676,896	3,618,372	58,524
Board of Education	46,579	23,903	22,676
Administration	1,555,393	1,132,119	423,274
Fiscal	481,019	540,062	(59,043)
Operation and Maintenance of Plant	193,942	126,554	67,388
Pupil Transportation	10,151	12,576	(2,425)
Central	509,965	389,167	120,798
Operation of Non-Instructional Services:			
Community Services	398,663	117,768	280,895
Extracurricular Activities	15,012	25,906	(10,894)
Interest and Fiscal Charges	4,806	5,092	(286)
Total Expenses	20,832,187	18,526,718	2,305,469
Change in Net Position	2,597,197	3,880,602	(1,283,405)
Net Position Beginning of Year	(18,109,410)	(21,990,012)	3,880,602
Net Position End of Year	$ (15,512,213)	$ (18,109,410)	$ 2,597,197

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

Program revenues increased during 2024 due primarily to increased operating grants partially offset by decreased capital grants. Operating grants increased due to additional funding from governmental sources for programs, projects, and infrastructure improvements. Capital grants decreased due to reduced grants for projects as the Educational Service Center completed projects in the prior year. Grants and entitlements decreased due to decreases in foundation revenues.

Regular instruction expenses increased from expanded services such as hiring more teachers, updating curricula, and investing in instructional materials. Student intervention services increased as the entity prioritized support for at-risk students through tutoring, counseling, and special education initiatives. Administrative costs increased due to added staffing, strategic initiatives, and technology investments to improve efficiency. Community services expenses also increased, driven by expanded outreach programs, after-school services, and partnerships to enhance community engagement and support.

Governmental Funds

The Educational Service Center's funds are accounted for using the modified accrual basis of accounting. The following table shows a summary of fund balances for the Educational Service Center's major funds.

	Fund Balance 6/30/2024	Fund Balance 6/30/2023	Increase (Decrease)
General	$ 4,663,194	$ 4,898,326	$ (235,132)
Tele-Mental Health	(401)	-	(401)
ESSER	27,695	(136,765)	164,460

The decrease in the general fund balance was primarily due to an increase in expenditures, while revenues remained consistent with the prior year. This increase in spending reflects the Educational Service Center's commitment to enhancing instructional services, student support, and operational needs, including higher costs in areas like special education and pupil services.

The Tele-Mental Health fund reported a slight decrease change in fund balance from an intergovernmental payable. The grant revenues are earned and recognized as the costs for the programs are incurred.

The ESSER fund increased due to revenues exceeding expenditures for the year, resulting in a modest ending balance. This reflects careful allocation of resources toward student support and instructional staff needs while maintaining financial stability.

Capital Assets and Debt Administration

Capital Assets

Capital assets increased slightly due to current year acquisitions exceeding depreciation/amortization and disposals. See Note 8 for more detailed information of the Educational Service Center's capital assets.

Debt

See Note 13 for more information. The Educational Service Center's leases payable decreased due to principal payments.

Economic Factors

The Muskingum Valley Educational Service Center relies heavily on contracts with its member school districts in Coshocton, Hocking, Muskingum, Noble, Perry and Tuscarawas Counties. Existing contracts with member districts and carryover balances will fund MVESC's operations during fiscal year 2024. However, the future financial health of MVESC presents certain challenges.

General Fund revenue is generated by two primary means: state funding and fees for services. This has been said many times, but state funding has declined as a percentage of the total revenue budget throughout the course of the Educational Service Center's existence. As a comparison of changes in state funding over time, in fiscal year 1998, state funds accounted for 70 percent of total General Fund revenue. For fiscal year 2024, state will account for only 5 percent of the General Fund's total revenues. Muskingum Valley ESC uses its state funding to offset administrative costs. As the state of Ohio continues to reduce ESC funding, MVESC must search for ways to fund its administrative costs by either raising administrative fees charged for services or serving as the fiscal agent for additional programs and grants.

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

Contacting the Educational Service Center's Financial Management

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

BASIC FINANCIAL STATEMENTS

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 5,504,472
Accounts Receivable	1,001,999
Intergovernmental Receivable	2,412,793
Prepaid Items	174,090
Net OPEB Asset	1,237,613
Non-Depreciable Capital Assets	10,840
Depreciable Capital Assets, net	875,164
Total Assets	11,216,971
Deferred Outflows of Resources	
Pension	4,717,531
OPEB	1,209,551
Total Deferred Outflows of Resources	5,927,082
Liabilities	
Accounts Payable	248,034
Accrued Wages and Benefits	1,885,764
Accrued Vacation Payable	88,677
Intergovernmental Payable	382,511
Matured Compensated Absences Payable	31,304
Unearned Revenue	1,008,995
Long-Term Liabilities:	
Due Within One Year	65,882
Due In More Than One Year:	
Net Pension Liability	19,700,982
Net OPEB Liability	1,836,043
Other Amounts Due in More Than One Year	1,060,268
Total Liabilities	26,308,460
Deferred Inflows of Resources	
Pension	3,000,632
OPEB	3,347,174
Total Deferred Inflows of Resources	6,347,806
Net Position	
Net Investment in Capital Assets	660,311
Restricted for:	
Local Initiatives	200,936
State and Federal Programs	747,717
OPEB Asset	1,237,613
Unrestricted	(18,358,790)
Total Net Position	$ (15,512,213)

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2024

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 1,366,626	$ 1,096,855	$ 404,807	$ 135,036
Special	5,764,128	5,262,809	766,177	264,858
Adult/Continuing	4,727	1,616	3,278	167
Student Intervention Services	2,003,264	1,177,821	1,065,283	239,840
Support Services:				
Pupils	4,801,016	3,924,395	1,296,197	419,576
Instructional Staff	3,676,896	915,515	3,189,606	428,225
Board of Education	46,579	49,869	-	3,290
Administration	1,555,393	1,354,551	267,552	66,710
Fiscal	481,019	514,997	-	33,978
Operation and Maintenance of Plant	193,942	161,002	86,545	53,605
Pupil Transportation	10,151	1,844	9,177	870
Central	509,965	557,279	17,950	65,264
Operation of Non-Instructional Services:				
Community Services	398,663	295,138	139,855	36,330
Extracurricular Activities	15,012	29,040	1,164	15,192
Interest and Fiscal Charges	4,806	-	-	(4,806)
Total	$ 20,832,187	$ 15,342,731	$ 7,247,591	1,758,135

General Revenues	
Grants and Entitlements not Restricted to Specific Programs	630,063
Investment Earnings	168,597
Miscellaneous	40,402
Total General Revenues	839,062
Change in Net Position	2,597,197
Net Position Beginning of Year	(18,109,410)
Net Position End of Year	$ (15,512,213)

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Balance Sheet
Governmental Funds
June 30, 2024

	General	Tele-Mental Health	ESSER	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 4,478,651	$ 619,429	$ -	$ 406,392	$ 5,504,472
Accounts Receivable	981,283	-	-	20,716	1,001,999
Interfund Receivable	1,074,589	-	-	-	1,074,589
Intergovernmental Receivable	-	-	734,809	1,677,984	2,412,793
Prepaid Items	151,137	-	-	22,953	174,090
Total Assets	$ 6,685,660	$ 619,429	$ 734,809	$ 2,128,045	$ 10,167,943
Liabilities					
Accounts Payable	$ 137,033	$ -	$ 39,910	$ 71,091	$ 248,034
Accrued Wages and Benefits	1,538,318	-	71,501	275,945	1,885,764
Intergovernmental Payable	315,811	400	16,721	49,579	382,511
Interfund Payable	-	-	297,197	777,392	1,074,589
Matured Compensated Absences Payable	31,304	-	-	-	31,304
Unearned Revenue	-	619,430	-	389,565	1,008,995
Total Liabilities	2,022,466	619,830	425,329	1,563,572	4,631,197
Deferred Inflows of Resources					
Unavailable Revenue	-	-	281,785	529,228	811,013
Fund Balances					
Nonspendable	158,654	-	-	22,953	181,607
Restricted	-	-	27,695	196,234	223,929
Assigned	494,601	-	-	-	494,601
Unassigned	4,009,939	(401)	-	(183,942)	3,825,596
Total Fund Balance	4,663,194	(401)	27,695	35,245	4,725,733
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,685,660	$ 619,429	$ 734,809	$ 2,128,045	$ 10,167,943

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2024

Total Governmental Fund Balances		$ 4,725,733
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.		886,004
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental		811,013
The net pension liability and net OPEB liability/asset are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	1,237,613	
Deferred Outflows - Pension	4,717,531	
Deferred Outflows - OPEB	1,209,551	
Net Pension Liability	(19,700,982)	
Net OPEB Liability	(1,836,043)	
Deferred Inflows - Pension	(3,000,632)	
Deferred Inflows - OPEB	(3,347,174)	(20,720,136)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Lease Payable	(225,693)	
Accrued Vacation Leave Payable	(88,677)	
Compensated Absences	(900,457)	(1,214,827)
Net Position of Governmental Activities		$ (15,512,213)

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General	Tele-Mental Health	ESSER	Special Education	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental	$ 630,064	$ 39,765	$ 1,859,980	$ -	$ 4,802,122	$ 7,331,931
Investment Income	172,158	-	-	-	-	172,158
Tuition and Fees	9,981,198	-	-	-	-	9,981,198
Extracurricular Activities	14,001	-	-	-	29,000	43,001
Charges for Services	5,425,672	-	-	-	20,716	5,446,388
Miscellaneous	40,402	-	-	-	-	40,402
Total Revenues	16,263,495	39,765	1,859,980	-	4,851,838	23,015,078
Expenditures						
Current:						
Instruction:						
Regular	1,046,310	-	-	-	398,595	1,444,905
Special	5,685,174	-	-	-	835,062	6,520,236
Adult/Continuing	1,509	-	-	-	3,218	4,727
Student Intervention Services	1,310,831	-	449,444	-	492,073	2,252,348
Support Services:						
Pupils	4,195,732	39,929	220,101	-	858,482	5,314,244
Instructional Staff	1,248,064	-	882,772	-	1,977,790	4,108,626
Board of Education	46,579	-	-	-	-	46,579
Administration	1,385,581	237	72,032	-	170,504	1,628,354
Fiscal	543,618	-	-	-	-	543,618
Operation and Maintenance of Plant	150,984	-	-	-	78,441	229,425
Pupil Transportation	1,722	-	-	-	8,429	10,151
Central	545,478	-	4,749	-	11,765	561,992
Operation of Non-Instructional/Shared Services:						
Community Services	304,162	-	66,422	-	56,575	427,159
Extracurricular Activities	13,482	-	-	-	1,530	15,012
Debt Service						
Principal Retirement	14,595	-	-	-	-	14,595
Interest and Fiscal Charges	4,806	-	-	-	-	4,806
Total Expenditures	16,498,627	40,166	1,695,520	-	4,892,464	23,126,777
Net Change in Fund Balances	(235,132)	(401)	164,460	-	(40,626)	(111,699)
Fund Balances Beginning of Year, as previously presented	4,898,326	-	(136,765)	(44,720)	120,591	4,837,432
Change within Financial Reporting Entity						
Major to Nonmajor Fund	-	-	-	44,720	(44,720)	-
Fund Balances Beginning of Year, as adjusted	4,898,326	-	(136,765)	-	75,871	4,837,432
Fund Balances End of Year	$ 4,663,194	$ (401)	$ 27,695	$ -	$ 35,245	$ 4,725,733

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds		$ (111,699)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital Asset Additions	$ 250,086	
Current Year Depreciation/Amortization	(152,815)	97,271
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.		(52,508)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental		414,306
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Lease		14,594
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,952,327	
OPEB	71,388	2,023,715
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(465,026)	
OPEB	348,502	(116,524)
Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable	(23,272)	
Compensated Absences	351,314	328,042
Change in Net Position of Governmental Activities		$ 2,597,197

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Custodial	
	External Investment Pool	Other Custodial
Assets		
Equity in Pooled Cash and Cash Equivalents	$ 1,446,562	$ -
Cash and Cash Equivalents in Segregated Accounts	-	7,227,175
Investments in Segregated Accounts	-	18,405,279
Accounts Receivable	-	981,344
Restricted Cash and Cash Equivalents with Fiscal Agents	13,523	-
Total Assets	1,460,085	26,613,798
Liabilities		
Accounts Payable	13,523	6,223
Net Position		
Held in Trust for Pool Participants	1,446,562	-
Restricted for Individuals, Organizations, and Other Governments	-	26,607,575
Total Net Position	$ 1,446,562	$ 26,607,575

See accompanying notes to the basic financial statements.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024

	Custodial	
	External Investment Pool	Other Custodial
Additions		
Interest	$ 44,128	$ 899,878
Capital Transactions:		
Amounts Invested	994,287	-
Amounts Distributed	(803,117)	-
Amounts Received as Fiscal Agent	-	86,788,344
Total Additions	235,298	87,688,222
Deductions		
Distributions as Fiscal Agent	-	83,444,336
Change in Net Position	235,298	4,243,886
Net Position Beginning of Year	1,211,264	22,363,689
Net Position End of Year	$ 1,446,562	$ 26,607,575

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE EDUCATION SERVICE CENTER AND REPORTING ENTITY

The Muskingum Valley Educational Service Center (the Educational Service Center) is located in Zanesville, Ohio. The Educational Service Center operates programs in Coshocton, Hocking, Morgan, Muskingum, Noble, Perry and Tuscarawas Counties. The Educational Service Center provides supervisory, special education, administrative, cooperative classes, multi-handicapped programming, preschool, and other services to Caldwell Exempted Village School District, East Muskingum Local School District, Franklin Local School District, Logan-Hocking Local School District, Maysville Local School District, Morgan Local School District, New Lexington City School District, Northern Local School District, Ridgewood Local School District, River View Local School District, West Muskingum Local School District, Coshocton City School District, Coshocton County Career Center, Mid-East Career and Technology Centers, and Newcomerstown Exempted Village School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently. The Muskingum Valley Educational Service Center operates under a locally elected Board form of government consisting of seven members elected at-large for staggered four-year terms.

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

Primary Government

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

Jointly Governed Organizations

Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments

The Educational Service Center is a participant in the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments (OME-RESA). OME-RESA was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The board exercised total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. OMERESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Ste.2, Steubenville, Ohio 43952.

Coalition of Rural and Appalachian School

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 120 school districts and other educational institutions in the 32-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 32 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for Educational Service Center administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The financial information for the Coalition can be obtained from the Executive Director, at Patton Hall 322, 1 Ohio University, Athens, Ohio 45701.

Ohio Coalition for Equity and Adequacy of School Funding

The Ohio Coalition for Equity and Adequacy of School Funding is a regional council of governments established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives may be appointed by the Chairperson. The Educational Service Center serves as the fiscal agent of the Coalition and financial activity of the Coalition is reported as a custodial fund as discussed in Note 16.

Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Schools of Ohio Risk Sharing Authority

The Educational Service Center is a member of the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self insurance pool and assisting members to prevent and reduce losses and injuries to School District persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, equipment breakdown, cyber liability, and educators' errors and omissions liability insurance. Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the corporation are managed by an elected board of not more than nine directors. Only superintendents, assistant treasurers, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 555 Metro Place North, Suite 645, Dublin, Ohio 43017.

Ohio School Benefits Cooperative

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

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

Component Units

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

> ***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Educational Service Center for any purpose, provided it is expended and transferred according to the general laws of Ohio.
>
> ***Tele-Mental Health Grant Special Revenue Fund*** The Tele-Mental Health grant special revenue Fund accounts for and reports grant monies which are restricted for facilitating a project to provide telehealth and teletherapy services and equipment to rural school districts in Ohio.
>
> ***Elementary and Secondary School Emergency Relief (ESSER) Fund*** This fund accounts for and reports emergency relief grants to the Educational Service Center in response to the COVID- 19 pandemic. Grant restrictions include, but are not limited to, providing for coordination of preparedness and response efforts, training, and professional development of staff, planning and coordination during long-term closure, and purchasing technology for students.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted 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. The Educational Service Center has an external investment pool that accounts for all the fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding". The Educational Service Center's custodial fund accounts for the activity of the Ohio School Benefits Cooperative, which is a claims servicing and purchasing pool, both of which the Educational Service Center acts as the fiscal agent.

Measurement Focus

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

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

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

Basis of Accounting

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

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Educational Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the Educational Service Center, deferred inflows of resources include pension, OPEB plans, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the Educational Service Center, unavailable revenue includes tuition and fees, charges for services and sales, and grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund Deferred inflows of resources related to pension and OPEB plans are reported on the government- wide statement of net position. (See Notes 10 and 11).

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

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

Budgetary Data

Although not legally required, the Educational Service Center adopts a budget for all funds. The Educational Service Center is not required to file budgetary information with the Ohio Department of Education and Workforce. Even though the budgetary process for the Educational Service Center is discretionary, the Educational Service Center continues to have its Board approve appropriations and estimated revenues. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board. Throughout the year, estimated resources and appropriations may be amended or supplemented as circumstances warrant.

Cash and Investments

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings credited to the General Fund during the fiscal year amounted to $172,158, which includes $148,221 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Receivables and Payables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	15-30 Years
Buildings and Improvements	15-30 Years
Furniture, Fixtures, and Equipment	3-15 Years

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities since vacation time must be used within a year of being earned.

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

Restricted Assets

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

Fund Balance

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

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

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

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

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

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

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

Estimates

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

Implementation of Accounting Principles

For the fiscal year ended June 30, 2024, the Educational Service Center has implemented certain provisions of GASB Statement No. 99, *Omnibus 2022* and GASB Statement No. 100, *Accounting Changes and Error Corrections*.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide a more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessment accountability. The implementation of GASB Statement No. 100 was incorporated into the financial statements of the Educational Service Center. For fiscal-year 2024, the Special Education fund was moved from major to non-major.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

8. Certain bankers' acceptances (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Deposits

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

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

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

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

Investments

As of June 30, 2024, the Educational Service Center had the following investments:

S&P Global Ratings	Investment Type	Measurement Value	Investment Maturities: 12 Months or Less	12 to 36 Months	More Than 36 Months	Percent of Total
	Fair Value:					
N/A	Negotiable Certificates of Deposit	1,153,421	199,458	410,509	543,454	100.00%
	Total Investments	$ 1,153,421	$ 199,458	$ 410,509	$ 543,454	100.00%

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Educational Service Center investments measured at fair value are Level 2 since 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 The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

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

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

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2024, consisted of accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 5 – STATE FUNDING

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

The Educational Service Center received funding from the Ohio Department of Education and Workforce (DEW) using a funding model which is based on student count. This amount is paid from State resources. DEW also deducts from the State Foundation Program settlement of each of the Educational Service Center's local and client school districts an amount equal to $6.50 times the school district's total student count and remits this amount to the Educational Service Center.

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

NOTE 6 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Tele-Mental Health Grant	ESSER	Other Governmental Funds	Total
Nonspendable for:					
Prepaids	$ 151,137	$ -	$ -	$ 22,953	$ 174,090
Unclaimed Monies	7,517	-	-	-	7,517
Total Nonspendable	158,654	-	-	22,953	181,607
Restricted for:					
State and Federal Programs	-	-	27,695	11,502	39,197
Local Grants	-	-	-	184,732	184,732
Total Restricted	-	-	27,695	196,234	223,929
Assigned for:					
Instruction	55,354	-	-	-	55,354
Support Services	90,918	-	-	-	90,918
Public School Support	348,329	-	-	-	348,329
Total Assigned	494,601	-	-	-	494,601
Unassigned	4,009,939	(401)	-	(183,942)	3,825,596
Total Fund Balance	$ 4,663,194	$ (401)	$ 27,695	$ 35,245	$ 4,725,733

Fund balances at June 30, 2024 included the following individual fund deficits:

	Deficit
Non-Major Governmental Funds	
Industry Sector Partnership	612
Early Childhood Grant	74,700
Title IV - 21st Century Grant	108,013
Early Literacy Grant	230
Miscellaneous Federal Grants	387
Total	$ 183,942

The deficits were the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 7 – INTERFUND BALANCES

Interfund balances at June 30, 2024, consist of the following:

	Interfund Receivable	Interfund Payable
General Fund	$ 1,074,589	$ -
ESSER Fund	-	297,197
Nonmajor Governmental Funds	-	777,392
	$ 1,074,589	$ 1,074,589

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances are expected to be repaid once the anticipated revenues are received.

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year was as follows:

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
Governmental Activities				
Capital Assets, not being Depreciated/Amortized:				
Land	$ 10,840	$ -	$ -	$ 10,840
Capital Assets, being Depreciated/Amoritzed:				
Land Improvements	10,359	-	-	10,359
Buildings and Improvements	340,284	42,676	-	382,960
Intangible Right to Use - Buildings	268,625	-	-	268,625
Furniture, Fixtures, and Equipment	1,410,067	207,410	(54,955)	1,562,522
Total Capital Assets, being Depreciated/Amortized	2,029,335	250,086	(54,955)	2,224,466
Less Accumulated Depreciation/Amortization:				
Land Improvements	(4,774)	(629)	-	(5,403)
Buildings and Improvements	(215,932)	(11,724)	-	(227,656)
Intangible Right to Use - Buildings	(35,000)	(17,500)	-	(52,500)
Furniture, Fixtures, and Equipment	(943,228)	(122,962)	2,447	(1,063,743)
Total Accumulated Depreciation/Amortization	(1,198,934)	(152,815)	2,447	(1,349,302)
Total Capital Assets being Depreciated/Amortized, net	830,401	97,271	(52,508)	875,164
Governmental Activities Capital Assets, Net	$ 841,241	$ 97,271	$ (52,508)	$ 886,004

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

Instruction:	
Regular	$ 6,817
Special	13,766
Other	41,291
Support Services:	
Pupil	17,029
Instructional Staff	5,794
Administration	48,302
Operation and Manintenance	13,738
Central	6,078
Total Depreciation	$ 152,815

NOTE 9 – RISK MANAGEMENT

Property and Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Educational Service Center participated with other school districts in the Schools of Ohio Risk Sharing Authority (SORSA), a public entity insurance purchasing pool. Each individual school district enters into an agreement with SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to SORSA. (See Note 1)

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

Workers Compensation

The Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 1). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit 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, may be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year 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 Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Educational Service Center's contractually required contribution to SERS was $599,748 for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent 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, a one-time 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. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility charges 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 34 years of service credit at any age.

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

The DC Plan allows members to place all their member contributions and 11.09 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 2.91 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 to 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 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The Educational Service Center's contractually required contribution to STRS was $1,352,579 for fiscal year 2024.

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

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.1085370%	0.06363498%	
Prior Measurement Date	0.0968289%	0.06105512%	
Change in Proportionate Share	0.0117081%	0.00257986%	
Proportionate Share of the Net Pension Liability	$ 5,997,228	$ 13,703,754	$ 19,700,982
Pension Expense	$ 311,809	$ 153,217	$ 465,026

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

At June 30, 2024, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 257,774	$ 499,609	$ 757,383
Changes of Assumptions	42,481	1,128,579	1,171,060
Changes in Proportion and Differences between Educational Service Center Contributions and Proportionate Share of Contributions	457,012	379,749	836,761
Educational Service Center Contributions Subsequent to the Measurement Date	599,748	1,352,579	1,952,327
Total Deferred Outflows of Resources	$ 1,357,015	$ 3,360,516	$ 4,717,531

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ -	$ 30,411	$ 30,411
Net Difference between Projected and Actual Earnings on Pension Plan Investments	84,297	41,070	125,367
Changes of Assumptions	-	849,494	849,494
Changes in Proportion and Differences between Educational Service Center Contributions and Proportionate Share of Contributions	57,160	1,938,200	1,995,360
Total Deferred Inflows of Resources	$ 141,457	$ 2,859,175	$ 3,000,632

$1,952,327 reported as deferred outflows of resources related to pension resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. 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:			
2025	$ 159,783	$ (1,154,702)	$ (994,919)
2026	(55,916)	(1,174,081)	(1,229,997)
2027	507,477	1,456,097	1,963,574
2028	4,466	21,448	25,914
Total	$ 615,810	$ (851,238)	$ (235,428)

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. Future benefits for all current plan members were projected through 2137.

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, 2023, and 2022 are presented below:

Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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

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 two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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. As of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	100.00 %	

Discount Rate The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14.00 percent. 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. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the Educational Service Center's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Educational Service Center'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	Current Discount Rate	1% Increase
Educational Service Center's Proportionate Share of the Net Pension Liability	$ 8,851,602	$ 5,997,228	$ 3,592,962

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023, and 2022, actuarial valuation, are presented below:

Inflation	2.50 percent
Salary Increases	From 2.5 percent to 8.5 percent, based on service
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)	0.00 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees 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.

Actuarial assumptions used in the June 30, 2023, valuation, were based on the results of the latest available actuarial experience study, which is 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 %	

*Final target weights reflected at 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, 2023. 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, 2023. 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, 2023.

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

	1% Decrease	Current Discount Rate	1% Increase
Educational Service Center's Proportionate Share of the Net Pension Liability	$ 21,073,340	$ 13,703,754	$ 7,471,100

Assumption and Benefit Changes Since the Prior Measurement Date Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

NOTE 11 - DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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 2024, 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 2024, this amount was $30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the Educational Service Center's surcharge obligation was $71,388, which is reported as an intergovernmental payable. The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Educational Service Center's contractually required contribution to SERS was equal to its surcharge obligation for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net OPEB liability (asset) was based on the Educational Service Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.1114479%	0.06363498%	
Prior Measurement Date	0.0989689%	0.06105512%	
Change in Proportionate Share	0.0124790%	0.00257986%	
Proportionate Share of the Net OPEB Liability (Asset)	$ 1,836,043	$ (1,237,613)	
OPEB Expense	$ (295,165)	$ (53,337)	$ (348,502)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in OPEB expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period.

At June 30, 2024, the Educational Service Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 3,825	$ 1,929	$ 5,754
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	14,231	2,210	16,441
Changes of Assumptions	620,818	182,320	803,138
Changes in Proportion and Differences between Educational Service Center Contributions and Proportionate Share of Contributions	287,812	25,018	312,830
Educational Service Center Contributions Subsequent to the Measurement Date	71,388	-	71,388
Total Deferred Outflows of Resources	$ 998,074	$ 211,477	$ 1,209,551
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 946,916	$ 188,766	$ 1,135,682
Changes of Assumptions	521,453	816,556	1,338,009
Changes in Proportion and Differences between Educational Service Center Contributions and Proportionate Share of Contributions	852,154	21,329	873,483
Total Deferred Inflows of Resources	$ 2,320,523	$ 1,026,651	$ 3,347,174

$71,388 reported as deferred outflows of resources related to OPEB resulting from Educational Service Center contributions subsequent to the measurement date will be recognized as a reduction/addition to the net OPEB liability/asset in the fiscal year ending June 30, 2025. 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:			
2025	$ (474,812)	$ (346,242)	$ (821,054)
2026	(466,231)	(170,004)	(636,235)
2027	(320,033)	(67,254)	(387,287)
2028	(148,723)	(88,216)	(236,939)
2029	(59,748)	(80,089)	(139,837)
Thereafter	75,710	(63,369)	12,341
Total	$ (1,393,837)	$ (815,174)	$ (2,209,011)

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, 2023, are presented below:

Inflation	2.40 percent
Future Salary Increases, including Inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	
Measurement Date	6.75 to 4.40 percent
Prior Measurement Date	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. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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 on April 15, 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 (expected return, net of investment expense and inflation) 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 long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	0.75 %
US Equity	24.75	4.82
Non-US Equity Developed	13.50	5.19
Non-US Equity Emerging	6.75	5.98
Fixed Income/Global Bonds	19.00	2.24
Private Equity	12.00	7.49
Real Estate/Real Assets	17.00	3.70
Private Debt/Private Credit	5.00	5.64
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan 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 be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, 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 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent) and higher (5.27 percent) than the current discount rate (4.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

	1% Decrease	Current Discount Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB Liability	$ 2,346,988	$ 1,836,043	$ 1,433,142

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB Liability	$ 1,348,877	$ 1,836,043	$ 2,481,604

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023, and 2022, actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Projected Salary Increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 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	3.00 percent	3.00 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

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

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.

Actuarial assumptions used in the June 30, 2023, valuation is 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 %	

*Final target weights reflected at 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 OPEB liability was 7.00 percent as of June 30, 2023. 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, 2023. 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, 2023.

Sensitivity of the Educational Service Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2023, 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	Current Discount Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB (Asset)	$ (1,047,477)	$ (1,237,613)	$ (1,403,200)

	1% Decrease	Current Trend Rate	1% Increase
Educational Service Center's Proportionate Share of the Net OPEB (Asset)	$ (1,410,884)	$ (1,237,613)	$ (1,028,910)

Benefit Term Changes Since the Prior Measurement Date Healthcare trends were updated to reflect emerging claims and recoveries experiences as well as benefit changes effective January 1, 2024.

NOTE 12 – EMPLOYEE BENEFITS

Compensated Absences

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

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

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2024, five board members have elected Social Security. The contribution rate is 6.2 percent of wages.

Insurance Benefits

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

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

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

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

NOTE 13 – LONG-TERM OBLIGATIONS

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

	Outstanding 6/30/2023	Additions	Deductions	Outstanding 6/30/2024	Due In One Year
Governmental Activities					
Net Pension Liability	$ 18,809,891	$ 891,091	$ -	$ 19,700,982	$ -
Net OPEB Liability	1,389,533	446,510		1,836,043	-
Lease	240,288	-	14,595	225,693	14,887
Compensated Absences	1,251,771	-	351,314	900,457	50,995
Total Governmental Long-Term Liabilities	$ 21,691,483	$ 1,337,601	$ 365,909	$ 22,663,175	$ 65,882

The Educational Service Center has outstanding agreement to lease building space. The future lease payments were discounted based on the interest rate implicit in the lease or using the Educational Service Center's incremental borrowing rate. These discounts are being amortized using the interest method over the life of the lease. These leases will be paid from the General Fund. A summary of the principal and interest amounts for the remaining leases is as follows:

	Zanesville Office Lease	
	Principal	Interest
2025	$ 14,887	$ 4,514
2026	15,184	4,216
2027	15,488	3,912
2028	15,798	3,603
2029	16,114	3,287
2030-2034	85,534	11,469
2035-2036	62,688	2,145
Total	$ 225,693	$ 33,146

Compensated absences will be paid from the General Fund. There are no repayment schedules for the net pension and the net OPEB liabilities. However, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension and net OPEB liabilities, see Notes 10 and 11.

NOTE 14 - CONTINGENCIES

Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2024.

Litigation

The Educational Service Center is not currently party to litigation.

NOTE 15 – COMMITMENTS

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

Fund	Amount
General	$ 150,366
Tele-Mental Health Grant	613,897
ESSER	348,904
Nonmajor Governmental	863,165
	$ 1,976,332

NOTE 16 – EXTERNAL INVESTMENT POOL

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

Statement of Net Position
June 30, 2024

Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,951,034
Net Position Held in Trust for Pool Participants:	
Internal Portion	$5,504,472
External Portion	1,446,562
Total Net Position Held in Trust for Pool Participants	$6,951,034

Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2024

Additions:	
Interest	$ 212,725
Capital Transactions	7,445
Total Additions	220,170
Deductions:	
Distributions Paid to Particpants	(212,725)
Total Increase in Net Position	7,445
Net Position at Beginning of Year	6,943,589
Net Position at End of Year	$6,951,034

Deposits

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

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

> Eligible securities pledged to the Educational Service Center and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

REQUIRED SUPPLEMENTARY INFORMATION

Muskingum Valley Education Service Center
Muskingum County, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	2024	2023	2022	2021
School Employees Retirement System (SERS)				
Educational Service Center's Proportion of the Net Pension Liability	0.1085370%	0.0968289%	0.0999549%	0.1263574%
Educational Service Center's Proportionate Share of the Net Pension Liability	$ 5,997,228	$ 5,237,260	$ 3,688,047	$ 8,357,544
Educational Service Center's Covered Payroll	$ 4,369,443	$ 3,628,621	$ 3,365,143	$ 4,290,571
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.25%	144.33%	109.60%	194.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.06%	75.82%	82.86%	68.55%
State Teachers Retirement System (STRS)				
Educational Service Center's Proportion of the Net Pension Liability	0.06363498%	0.06105512%	0.06743887%	0.07777259%
Educational Service Center's Proportionate Share of the Net Pension Liability	$ 13,703,754	$ 13,572,631	$ 8,622,666	$ 18,818,199
Educational Service Center's Covered Payroll	$ 8,798,629	$ 7,773,850	$ 8,091,771	$ 9,335,393
Educational Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	155.75%	174.59%	106.56%	201.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.02%	78.90%	87.80%	75.50%

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplemental information.

2020	2019	2018	2017	2016	2015
0.1497456%	0.1460417%	0.1355816%	0.1275580%	0.1233564%	0.1225670%
$ 8,959,542	$ 8,364,079	$ 8,100,701	$ 9,336,068	$ 7,038,836	$ 6,203,046
$ 5,167,067	$ 4,935,644	$ 4,390,600	$ 3,996,229	$ 3,759,621	$ 3,592,633
173.40%	169.46%	184.50%	233.62%	187.22%	172.66%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%
0.08533888%	0.08486673%	0.08153057%	0.08220609%	0.08196196%	0.07795173%
$ 18,872,181	$ 18,660,288	$ 19,367,762	$ 27,543,634	$ 22,651,888	$ 18,960,558
$ 10,121,814	$ 9,723,064	$ 9,016,386	$ 8,603,150	$ 8,690,129	$ 8,127,986
186.45%	191.92%	214.81%	320.16%	260.66%	233.27%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%

See accompanying notes to the required supplemental information.

Muskingum Valley Education Service Center
Muskingum County, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Contributions - Pension
Last Ten Fiscal Years

	2024	2023	2022	2021
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 599,748	$ 611,722	$ 508,007	$ 471,120
Contributions in Relation to the Contractually Required Contribution	(599,748)	(611,722)	(508,007)	(471,120)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Educational Service Center's Covered Payroll	$ 4,283,914	$ 4,369,443	$ 3,628,621	$ 3,365,143
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 1,352,579	$ 1,231,808	$ 1,088,339	$ 1,132,848
Contributions in Relation to the Contractually Required Contribution	(1,352,579)	(1,231,808)	(1,088,339)	(1,132,848)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Educational Service Center's Covered Payroll	$ 9,661,279	$ 8,798,629	$ 7,773,850	$ 8,091,771
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplemental information.

2020	2019	2018	2017	2016	2015
$ 600,680	$ 697,554	$ 666,312	$ 614,684	$ 559,472	$ 495,518
(600,680)	(697,554)	(666,312)	(614,684)	(559,472)	(495,518)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,290,571	$ 5,167,067	$ 4,935,644	$ 4,390,600	$ 3,996,229	$ 3,759,621
14.00%	13.50%	13.50%	14.00%	14.00%	13.18%
$ 1,306,955	$ 1,417,054	$ 1,361,229	$ 1,262,294	$ 1,204,441	$ 1,216,618
(1,306,955)	(1,417,054)	(1,361,229)	(1,262,294)	(1,204,441)	(1,216,618)
$ -	$ -	$ -	$ -	$ -	$ -
$ 9,335,393	$ 10,121,814	$ 9,723,064	$ 9,016,386	$ 8,603,150	$ 8,690,129
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplemental information.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Proportionate Share of the Net OPEB (Asset)/Liability
Last Eight Fiscal Years (1)

	2024	2023	2022
School Employees Retirement System (SERS)			
Educational Service Center's Proportion of the Net OPEB Liability	0.1114479%	0.0989689%	0.1027932%
Educational Service Center's Proportionate Share of the Net OPEB Liability	$ 1,836,043	$ 1,389,533	$ 1,945,445
Educational Service Center's Covered Payroll	$ 4,369,443	$ 3,628,621	$ 3,365,143
Educational Service Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	42.02%	38.29%	57.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.02%	30.34%	24.08%
State Teachers Retirement System (STRS)			
Educational Service Center's Proportion of the Net OPEB Liability/(Asset)	0.06363498%	0.01605512%	0.06743887%
Educational Service Center's Proportionate Share of the Net OPEB Liability/(Asset)	$ (1,237,613)	$ (1,580,920)	$ (1,421,893)
Educational Service Center's Covered Payroll	$ 8,798,629	$ 7,773,850	$ 8,091,771
Educational Service Center's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.07%	-20.34%	-17.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	168.52%	230.70%	174.70%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplemental information.

2021
0.1278176%
$ 2,777,896
$ 4,290,571
64.74%
18.17%
0.07777259%
$ (1,366,848)
$ 9,335,393
-14.64%
182.10%

See accompanying notes to the required supplemental information.

2020		2019		2018		2017
0.1532557%		0.1477618%		0.1377011%		0.1291826%
$ 3,854,060	$	4,099,311	$	3,695,536	$	3,682,182
$ 5,167,067	$	4,935,644	$	4,390,600	$	3,996,229
74.59%		83.06%		84.17%		92.14%
15.57%		13.57%		12.46%		11.49%
0.08533888%		0.08486673%		0.08153057%		0.08228609%
$ (1,413,416)	$	(1,363,721)	$	3,181,022	$	4,400,681
$ 10,121,814	$	9,723,064	$	9,016,386	$	8,603,150
-13.96%		-14.03%		35.28%		51.15%
174.70%		176.00%		47.10%		37.30%

See accompanying notes to the required supplemental information.

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Required Supplementary Information
Schedule of the Educational Service Center's Contributions - OPEB
Last Ten Fiscal Years

	2024	2023	2022	2021
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 71,388	$ 80,192	$ 64,430	$ 64,773
Contributions in Relation to the Contractually Required Contribution	(71,388)	(80,192)	(64,430)	(64,773)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Educational Service Center's Covered Payroll	$ 4,283,914	$ 4,369,443	$ 3,628,621	$ 3,365,143
OPEB Contributions as a Percentage of Covered Payroll (1)	1.67%	1.84%	1.78%	1.92%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Educational Service Center's Covered Payroll	$ 9,661,279	$ 8,798,629	$ 7,773,850	$ 8,091,771
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

	2020	2019	2018	2017	2016	2015
	$ 66,489	$ 118,421	$ 102,740	$ 75,592	$ 65,009	$ 94,333
	(66,489)	(118,421)	(102,740)	(75,592)	(65,009)	(94,333)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 4,290,571	$ 5,167,067	$ 4,935,644	$ 4,390,600	$ 3,996,229	$ 3,759,621
	1.55%	2.29%	2.08%	1.72%	1.63%	2.51%
	$ -	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 9,335,393	$ 10,121,814	$ 9,723,064	$ 9,016,386	$ 8,603,150	$ 8,690,129
	0.00%	0.00%	0.00%	0.00% #	0.00%	0.00%

See accompanying notes to the required supplemental information.

NOTE 1 - NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

Changes in Assumptions - SERS

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 as follows:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Years 2016 and Prior
Wage Inflation	2.40%	3.00%	3.25%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%	4.00% to 22.00%
Investment Rate of Return	7.00% net of system expenses	7.50% net of investment expenses, including inflation	7.75% net of investment expenses, including inflation

Beginning in 2022, amounts reported use mortality rates 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. Future improvement in mortality rates is reflected by applying the MP2020 projection scale generationally.

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.
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 Benefit Terms - SERS

For fiscal year 2022, COLA were increased from 2.00 percent to 2.50 percent.

For fiscal year 2021, COLA were reduced from 2.50 percent to 2.00 percent.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

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 as follows:

	Fiscal Years 2022 and 2023	Fiscal Years 2021-2018	Fiscal Years 2017 and Prior
Inflation	2.50%	2.50%	2.75%
Projected Salary Increases	From 2.50% to 12.50% based on age	From 12.50% at age 20 to 2.50% at age 65	From 12.25% at age 20 to 2.75% at age 70
Investment Rate of Return, net of investment expenses, including inflation	7.00%	7.45%	7.75%
Payroll Increases	3.00%	3.00%	3.50%

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 Disabled 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 RP2014 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 Terms - 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.

For fiscal year 2018, the COLA was reduced to zero.

Fiscal year 2017 and prior, COLA was 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

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

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:

	Fiscal Years 2023 and 2022	Fiscal Years 2021-2017
Inflation	2.40%	3.00%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%
Investment Rate of Return, net of investment expenses, including inflation	7.00%	7.50%

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

	Fiscal Year							
Assumption	2024	2023	2022	2021	2020	2019	2018	2017
Municipal Bond Index Rate	3.86%	3.69%	1.92%	2.45%	3.13%	3.62%	3.56%	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	4.27%	4.08%	2.27%	2.63%	3.22%	3.70%	3.63%	2.98%

Changes in Assumptions – STRS

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).
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 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 2018, the blended discount rate was increased from 3.26 percent to 4.13 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.

Changes in Benefit Terms – STRS

Effective January 1, 2024, Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes.

For fiscal year 2023, health care trends were updated to reflect emerging claims and recoveries experience

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 calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 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 .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 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 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 2019. This was subsequently extended, see above paragraph.

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*

Board of Education and Management
Muskingum Valley ESC
205 N Seventh St.
Zanesville, OH 43701

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muskingum Valley ESC, Muskingum County, Ohio (the "ESC") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the ESC's basic financial statements, and have issued our report thereon dated December 26, 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 purpose of expressing our opinions 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 entity'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*.

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Zanesville, Ohio
December 26, 2024

Rea & associates a brighter way

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

Board of Education and Management
Muskingum Valley ESC
205 N Seventh St.
Zanesville, OH 43701

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Muskingum Valley ESC's (the "ESC"), Muskingum County, Ohio, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the ESC's major federal programs for the year ended June 30, 2024. The ESC's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

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 each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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 each major federal program. 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 Responsibility 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 each major federal program as a whole.

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

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A ***significant deficiency in internal control over compliance*** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the ESC’s response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The ESC’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Zanesville, Ohio
December 26, 2024

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Assistance Listing Number**	**Pass Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education and Workforce:				
Title I Grants to Local Educational Agencies	84.010A	2023	$ -	$ 4,347
		2024	-	21,110
Total Title I Grants to Local Educational Agencies			-	25,457
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027A			
Parent Mentor Grant		2023	-	4,318
Parent Mentor Grant		2024	-	20,970
Individuals with Disabilities Education Act		2023	-	189,543
Individuals with Disabilities Education Act		2024	-	1,108,927
Early Literacy SSIP (IDEA)		2023	-	10,053
Early Literacy SSIP (IDEA)		2024	-	84,345
Urban Regional Literacy		2023	-	13,648
Urban Regional Literacy		2024	-	107,775
Total Special Education - Grants to States			-	1,539,579
Special Education - Preschool Grants	84.173A			
IDEA Early Childhood Special Education		2023	-	81,241
IDEA Early Childhood Special Education		2024	-	56,457
Early Learning - Discretionary		2023	-	14,377
Early Learning - Discretionary		2024	-	65,100
Early Literacy SSIP		2023	-	3,003
Early Literacy SSIP		2024	-	27,236
Total Special Education - Preschool Grants			-	247,414
Total Special Education Cluster (IDEA)			-	1,786,993
School-Based Mental Health Service	84.184H	2023	-	119,226
		2024	-	486,524
Total School-Based Mental Health Service			-	605,750
Twenty - First Century Community Learning Centers	84.287A	2023	-	82,188
		2024	-	861,738
Total Twenty - First Century Community Learning Centers			-	943,926
Special Education - State Personnel Development	84.323A	2024	-	5,169
Comprehensive Literacy Development	84.371C	2023	-	15,153
		2024	-	80,624
Total Striving Readers Comprehensive Literacy Program			-	95,777
COVID-19 Education Stabilization Fund:				
COVID-19 Governor's Emergency Education Relief Fund:	84.425C			
GEER II - Governors Emergency Education Relief Fund		2023	-	14,732
Total COVID-19 Governor's Emergency Education Relief Fund			-	14,732
COVID-19 ARP Elementary and Secondary School Emergency Relief - Homeless Children and Youth:	84.425W			
ARP Homeless		2023	-	2,671
ARP Homeless		2024	-	10,716
Total COVID-19 ARP Elementary and Secondary School Emergency Relief - Homeless Children and Youth			-	13,387
COVID-19 ARP Elementary and Secondary School Emergency Relief Fund:	84.425U			
Literacy: Adolescent Literacy		2023	-	165,842
Literacy: Adolescent Literacy		2024	-	16,123
Ohio Personalized Learning Network		2023	-	19,735
Ohio Personalized Learning Network		2024	-	106,161
ARP ESSER After School		2023	-	33,344
ARP ESSER After School		2024	-	401,882
ARP ESSER After School - Expand		2023	-	26,141
ARP ESSER After School - Expand		2024	-	184,127
ESSER ESC Family Engagement Liaisons		2023	-	16,313
ESSER ESC Family Engagement Liaisons		2024	-	75,390
Extended Learning and Recovery		2023	-	70,925
Extended Learning and Recovery		2024	-	574,782
Total COVID-19 ARP Elementary and Secondary School Emergency Relief Fund			-	1,690,765
COVID-19 Education Stabilization Fund:			-	1,718,884
Total U.S. Department of Education			-	5,181,956
Total Expenditures of Federal Awards			**$ -**	**$5,181,956**

The accompanying notes are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Muskingum Valley Educational Service Center (the Educational Service Center) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Educational Service Center, it is not intended to and does not present the financial position or changes in net position of the Educational Service Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

Muskingum Valley Educational Service Center
Muskingum County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2024

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)?	None Reported
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list): Special Education Cluster COVID-19: Education Stabilization Fund	Assistance Listing # 84.027A/84.173A 84.425D; 84.425U; 84.425W
(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 were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Significant Deficiency – Documentation of Personnel Expenses

Finding Number: 2024-001
Assistance Listing Number and Title: 84.027A/84.173A – Special Education Cluster
Federal Award Identification Number / Year: 2023/2024
Federal Agency: U.S. Department of Education
Compliance Requirement: Section A: Allowable Costs
Pass-Through Entity: Ohio Department of Education and Workforce
Repeat Finding from Prior Audit? No
Prior Audit Finding Number: N/A

Criteria:
The Educational Service Center (ESC) indicated that the internal controls over compliance include supervisory approval of the documentation of personnel expenses.

Condition:
During our testing of internal controls related to allowable costs we noted one instance in which the documentation of personnel expenses was not approved by a supervisor. We noted the costs were allowable and the employee properly maintained documentation of personnel expenses.

Effect:
The lack of approval on the documentation of personnel expenses increases the risk of unallowable costs.

Recommendation:
We recommend the ESC ensure all documentation of personnel expenses is approved by a supervisory level employee.

Official's Response:
See the Corrective Action Plan.

MuskingumValley Educational Service Center
A Nationally Accredited Educational Service Center

Monte Bainter, Superintendent

Zanesville
205 N. 7th Street
Zanesville, Ohio 43701
P: 740-452-4518
F: 740-455-6702

New Lexington
1605 Airport Road
New Lexington, Ohio 43764
P: 740-342-3502
F: 740-342-1961

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2024

Finding Number: 2024-001

Planned Corrective Action: I acknowledge the identified instance where supervisory approval was not obtained for a documented personnel expense. We have taken immediate steps to address this issue by implementing a more robust process to ensure that all personnel expense documentation is reviewed and approved by a supervisory-level employee before submission. Additionally, we will reinforce this practice through staff training and remind supervisors of their responsibility to approve all personnel expense reports. We are committed to maintaining strong internal controls, and we will monitor the implementation of this process to ensure compliance and reduce the risk of unallowable costs in the future.

Anticipated Completion Date: Immediately
Responsible Contact Person: Danielle Devoll

Muskingum Valley Educational Service Center
A Nationally Accredited Educational Service Center

Monte Bainter, Superintendent

Zanesville
205 N. 7th Street
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P: 740-452-4518
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1605 Airport Road
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Schedule of Prior Audit Findings
2 CFR Section 200.511(b)
June 30, 2024

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; of Finding No Longer Valid; Explain:
2023-001	Noncompliance and Material Weakness – inaccurate federal capital asset listing	Yes	Fully corrected.

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OHIO AUDITOR OF STATE
KEITH FABER

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 3/4/2025

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