



OHIO AUDITOR OF STATE
KEITH FABER



**LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY
JUNE 30, 2022**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances- Cash Basis Governmental Funds	14
Statement of Fiduciary Net Position- Cash Basis Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Funds	16
Notes to the Basic Financial Statements	17
Supplementary Information:	
Schedule of Receipts, Disbursements, and Changes in Fund Balance Budget (Budget Basis) and Actual General Fund	43
Schedule of Receipts, Disbursements, and Changes in Fund Balance Budget (Budget Basis) and Actual Special Ed Cooperative Fund	44
Schedule of Receipts, Disbursements, and Changes in Fund Balance Budget (Budget Basis) and Actual Lawrence Co Joint Cooperative Fund	45
Notes to the Supplementary Information	46

LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY
JUNE 30, 2022

TABLE OF CONTENTS
(Continued)

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Schedule of Findings.....	49
Prepared by Management:	
Summary Schedule of Prior Audit Findings	51

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2022, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

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

Emphasis of Matter - Accounting Basis

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Center. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the Center's basic financial statements.

The budgetary comparisons for the General Fund, Special Education Cooperative Fund, and Lawrence County Joint Cooperative Fund are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2023, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
January 4, 2023

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Lawrence County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

As management of the Lawrence County Educational Service Center, we offer the readers of the Educational Service Center's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the Educational Service Center's performance.

FINANCIAL HIGHLIGHTS

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

- Net position of governmental activities increased \$78,867.
- General cash receipts accounted for \$299,158 or 8 percent of all program specific and general cash receipts. Program specific cash receipts in the form of charges for services, sales, grants, and contributions accounted for \$3,629,663 or 92 percent of total program specific and general cash receipts.

The Educational Service Center had \$3,849,954 in cash disbursements; only \$3,629,663 of these cash disbursements were offset by program specific charges for services, sales, grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

Report Components

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

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

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

Basis of Accounting

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

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

Lawrence County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Reporting the Educational Service Center as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the Educational Service Center did financially during 2022, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Educational Service Center at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Educational Service Center's general receipts.

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

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the Educational Service Center's major funds, not the Educational Service Center as a whole. The Educational Service Center uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund, the Special Ed Cooperative fund, and the Lawrence Co Joint Cooperative fund.

Governmental Funds All of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the Educational Service Center's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs and services. Since the Educational Service Center is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. See Note 2 to the basic financial statements for more information.

Lawrence County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

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

THE EDUCATIONAL SERVICE CENTER AS A WHOLE

Recall that the statement of net position provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net position for 2022 as compared to 2021.

Table 1
Net Position

	Governmental Activities	
	2022	2021
Assets		
Current Assets	\$ 2,798,325	\$ 2,719,458
Total Assets	2,798,325	2,719,458
Net Position		
Restricted	1,297,443	1,185,464
Unrestricted	1,500,882	1,533,994
Total Net Position	\$ 2,798,325	\$ 2,719,458

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

Lawrence County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2022 as compared to 2021.

Table 2
Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues		
Program Cash Receipts		
Charges for Services	\$ 3,423,140	\$ 2,959,880
Operating Grants and Contributions	206,523	111,918
Total Program Cash Receipts	<u>3,629,663</u>	<u>3,071,798</u>
General Cash Receipts		
Grants and Entitlements, Not Restricted	267,283	231,608
Investment Earnings	14	592
Refund of Prior Year Expenditures	-	19,593
Miscellaneous	31,861	-
Total General Cash Receipts	<u>299,158</u>	<u>251,793</u>
Total Cash Receipts	<u>3,928,821</u>	<u>3,323,591</u>
Program Disbursements		
Instruction:		
Regular	663,632	197,140
Special	732,759	759,581
Adult/Continuing	2,117	-
Other	27,864	32,372
Support Services:		
Pupils	599,829	629,166
Instructional Staff	306,496	312,474
Board of Education	170,153	125,712
Administration	447,955	325,796
Fiscal	189,317	154,078
Operation and Maintenance of Plant	145,564	112,044
Pupil Transportation	62,306	-
Central	477,810	349,289
Operation of Non-Instructional Services	24,152	-
Total Cash Disbursements	<u>3,849,954</u>	<u>2,997,652</u>
Increase (Decrease) in Net Position	78,867	325,939
Net Position, Beginning of Year	2,719,458	2,393,519
Net Position, End of Year	<u>\$ 2,798,325</u>	<u>\$ 2,719,458</u>

Lawrence County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Governmental Activities

The primary sources of revenue for governmental activities are derived from grants and charges for services. These revenue sources represent 99% of total governmental revenue. Revenue from charges for services increased during fiscal year 2022. Charges for services increased due to more services provided in 2022 to the Alternative School and local school districts than in 2021.

Total disbursements increased \$852,302 during fiscal year 2022 due primarily to additional services provided to the Alternative School and local school district in 2022. The largest disbursements of the Educational Service Center are for support services, which totaled \$2,399,430 or 62% of total governmental disbursements for the year. Fluctuations of disbursements between years are directly related to the needs of the Educational Service Center's member School Districts.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2022	2022	2021	2021
Program Disbursements				
Instruction:				
Regular	\$ 663,632	\$ 125,089	\$ 197,140	\$ (9,503)
Special	732,759	(56,182)	759,581	(85,387)
Adult/Continuing	2,117	2,117	-	-
Other	27,864	(606)	32,372	2,265
Support Services:				
Pupils	599,829	101,288	629,166	26,921
Instructional Staff	306,496	79,859	312,474	13,988
Board of Education	170,153	(8,677)	125,712	6,471
Administration	447,955	4,820	325,796	(12,681)
Fiscal	189,317	27,329	154,078	7,606
Operation and Maintenance of Plant	145,564	18,921	112,044	(120)
Pupil Transportation	62,306	3,631	-	-
Central	477,810	(78,706)	349,289	(23,706)
Operation of Non-Instructional Services	24,152	1,408	-	-
Totals	<u>\$ 3,849,954</u>	<u>\$ 220,291</u>	<u>\$ 2,997,652</u>	<u>\$ (74,146)</u>

THE EDUCATIONAL SERVICE CENTER'S FUNDS

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

The General Fund had \$2,112,760 in cash receipts and \$2,145,872 in cash disbursements and other financing uses. The net change in fund balance for the General Fund was a decrease of \$33,112. The Special Ed Cooperative fund and the Lawrence Co Joint Cooperative fund had increases in fund balance of \$40,404 and \$129,865, respectively.

Lawrence County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Educational Service Center does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Educational Service Center had no capital outlay disbursements during fiscal year 2022.

DEBT

The Educational Service Center did not have any debt outstanding as of June 30, 2022.

CONTACTING THE EDUCATIONAL SERVICE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Robin Waller, Treasurer at Lawrence County Educational Service Center, 304 N. 2nd Street, Ironton, Ohio 45638.

Lawrence County Educational Service Center

Statement of Net Position - Cash Basis

As of June 30, 2022

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,798,325</u>
<i>Total Assets</i>	<u>2,798,325</u>
Net Position	
Restricted for:	
Other Purposes	1,297,443
Unrestricted	<u>1,500,882</u>
<i>Total Net Position</i>	<u><u>\$ 2,798,325</u></u>

See accompanying notes to the basic financial statements.

Lawrence County Educational Service Center
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2022

	Program Cash Receipts			Net (Cash Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Cash Receipts and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$ 663,632	\$ 532,299	\$ 6,244	\$ (125,089)
Special	732,759	788,941	-	56,182
Adult/Continuing	2,117	-	-	(2,117)
Other	27,864	28,470	-	606
Support Services:				
Pupils	599,829	461,465	37,076	(101,288)
Instructional Staff	306,496	154,730	71,907	(79,859)
Board of Education	170,153	92,838	85,992	8,677
Administration	447,955	442,762	373	(4,820)
Fiscal	189,317	158,657	3,331	(27,329)
Operation and Maintenance of Plant	145,564	126,643	-	(18,921)
Pupil Transportation	62,306	58,675	-	(3,631)
Central	477,810	554,916	1,600	78,706
Operation of Non Instructional	24,152	22,744	-	(1,408)
Totals	\$ 3,849,954	\$ 3,423,140	\$ 206,523	(220,291)
General Cash Receipts				
Grants and Entitlements not Restricted to Specific Programs				267,283
Investment Earnings				14
Miscellaneous				31,861
<i>Total General Cash Receipts</i>				<u>299,158</u>
<i>Change in Net Position</i>				78,867
<i>Net Position at Beginning of Year</i>				<u>2,719,458</u>
<i>Net Position at End of Year</i>				<u><u>\$ 2,798,325</u></u>

See accompanying notes to the basic financial statements

Lawrence County Educational Service Center
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
As of June 30, 2022

	General Fund	Special Ed Cooperative	Lawrence Co Joint Cooperative	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,500,882	\$ 286,228	\$ 757,540	\$ 253,675	\$ 2,798,325
<i>Total Assets</i>	<u>\$ 1,500,882</u>	<u>\$ 286,228</u>	<u>\$ 757,540</u>	<u>\$ 253,675</u>	<u>\$ 2,798,325</u>
Fund Balances					
Restricted	-	286,228	\$757,540	253,675	1,297,443
Committed	15,118	-	-	-	15,118
Assigned	733,636	-	-	-	733,636
Unassigned	752,128	-	-	-	752,128
<i>Total Fund Balances</i>	<u>\$ 1,500,882</u>	<u>\$ 286,228</u>	<u>\$ 757,540</u>	<u>\$ 253,675</u>	<u>\$ 2,798,325</u>

See accompanying notes to the basic financial statements.

Lawrence County Educational Service Center
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General Fund	Special Ed Cooperative	Lawrence Co Joint Cooperative	Other Governmental Funds	Total Governmental Funds
Cash Receipts					
Intergovernmental	\$ 267,283	\$ -	\$ -	\$ 206,523	\$ 473,806
Interest	14	-	-	-	14
Charges for Services	175,112	-	591,246	185,298	951,656
Contract Services	1,637,350	832,994	-	-	2,470,344
Rent	1,140	-	-	-	1,140
Miscellaneous	31,861	-	-	-	31,861
<i>Total Cash Receipts</i>	<u>2,112,760</u>	<u>832,994</u>	<u>591,246</u>	<u>391,821</u>	<u>3,928,821</u>
Cash Disbursements					
Current:					
Instruction:					
Regular	373,413	-	-	290,219	663,632
Special	2,060	654,520	76,179	-	732,759
Adult/Continuing	2,117	-	-	-	2,117
Other	27,864	-	-	-	27,864
Support Services:					
Pupils	525,875	-	-	73,954	599,829
Instructional Staff	176,125	-	-	130,371	306,496
Board of Education	105,447	-	-	64,706	170,153
Administration	317,958	32,320	96,942	735	447,955
Fiscal	177,578	3,516	1,250	6,973	189,317
Operation and Maintenance of Plant	95,477	35,243	9,333	5,511	145,564
Pupil Transportation	62,306	-	-	-	62,306
Central	133,142	66,991	277,677	-	477,810
Operation of Non Instructional	24,152	-	-	-	24,152
<i>Total Cash Disbursements</i>	<u>2,023,514</u>	<u>792,590</u>	<u>461,381</u>	<u>572,469</u>	<u>3,849,954</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>89,246</u>	<u>40,404</u>	<u>129,865</u>	<u>(180,648)</u>	<u>78,867</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	500	500
Advances In	-	-	-	121,858	121,858
Advances Out	(121,858)	-	-	-	(121,858)
Transfers Out	(500)	-	-	-	(500)
<i>Total Other Financing Sources (Uses)</i>	<u>(122,358)</u>	<u>-</u>	<u>-</u>	<u>122,358</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(33,112)	40,404	129,865	(58,290)	78,867
<i>Fund Balances at Beginning of Year</i>	<u>1,533,994</u>	<u>245,824</u>	<u>627,675</u>	<u>311,965</u>	<u>2,719,458</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,500,882</u>	<u>\$ 286,228</u>	<u>\$ 757,540</u>	<u>\$ 253,675</u>	<u>\$2,798,325</u>

See accompanying notes to the basic financial statements.

Lawrence County Educational Service Center
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2022

	<u>Custodial</u>
Assets:	
Current assets:	
Cash and cash equivalents in segregated accounts	<u>\$8,511,554</u>
Net Position:	
Restricted for Individuals, Organizations and Other Governments	<u><u>\$8,511,554</u></u>

See accompanying notes to the basic financial statements.

Lawrence County Educational Service Center
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2022

	<u>Custodial</u>
Additions:	
Amounts Received as Fiscal Agent	\$18,764,065
Deductions:	
Distributions as Fiscal Agent	<u>\$19,983,031</u>
Change in fiduciary net position	(1,218,966)
Net position, January 1	<u>9,730,520</u>
Net position, December 31	<u><u>\$8,511,554</u></u>

See accompanying notes to the basic financial statements.

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 1 - REPORTING ENTITY

The Lawrence County Educational Service Center (the “Educational Service Center”) is located in Ironton, Ohio, the county seat. The Educational Service Center provides supervisory, special education, administrative, and other services to Dawson-Bryant, Fairland, Rock Hill, South Point, and Symmes Valley Local School Districts, Ironton City School District, Chesapeake-Union Exempted Village School District, as well as the Collins Career Center. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Lawrence County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The Educational Service Center has 23 support staff employees and 20 certified administrators that provide services to the school districts.

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

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

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

B. Fund Accounting

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

Governmental Funds

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

General Fund

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

Special Ed Cooperative Fund

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

Lawrence Co Joint Cooperative Fund

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Type

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

C. Basis of Presentation

The Educational Service Center uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The Educational Service Center's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

Cash Receipts – Exchange and Non-exchange Transactions

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Disbursements

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

D. Cash and Cash Equivalents

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

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

During fiscal year 2022, the Educational Service Center's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Educational Service Center measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAROhio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

E. Capital Assets and Depreciation

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

F. Compensated Absences

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

G. Accrued Liabilities and Long-Term Obligations

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Net Position

Net cash position represents the cash assets held by the Educational Service Center at year end. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net position restricted for state and federal programs. The Educational Service Center applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. As of June 30, 2022, the Educational Service Center had no net position restricted by enabling legislation.

I. Fund Balance

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

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

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

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

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pensions and Other Post Employment Benefits (OPEB)

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

K. Inventory and Prepaid Items

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

L. Employer Contributions to Cost-Sharing Pension Plans

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

M. Internal Activity

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

N. Leases

For fiscal year 2022, GASB Statement No. 87, Leases was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

Interim monies may be deposited or invested in the following securities:

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

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

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

Deposits: Custodial credit risk is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,074,404 of the Educational Service Center's bank balance of \$9,574,404 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Cost/STAROhio*	<u>\$ 2,020,004</u>	< 35.3 days

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

The Educational Service Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As discussed further in Note 2D, STAROhio is reported at its share price. The above chart identifies the Educational Service Center's recurring fair value measurements as of June 30, 2022. The Educational Service Center invested solely in StarOhio, which was valued at Net Asset Value.

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

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 4 - STATE FUNDING

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

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

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

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

NOTE 5 - RISK MANAGEMENT

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

The Educational Service Center joined together with other school districts and educational service centers in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district or educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP (See Note 10).

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

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

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

For fiscal year 2022, the Educational Service Center participated in the Sheakley Workers' Comp and Safety Group Retrospective Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to improve safety, accident prevention, and claims handling for the Educational Service Center. Participation in the GRP is limited to those school districts and educational service centers that can meet the GRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRP.

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 5 - RISK MANAGEMENT (continued)

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The Ohio Revised Code limits the Educational Service Center's obligation for 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 all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for 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 pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2022.

The Educational Service Center's contractually required contribution to SERS was \$82,546 for fiscal year 2022.

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 to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until Aug. 1, 2026 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment at age 50 or later.

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

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

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The Educational Service Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS Ohio was \$199,411 for fiscal year 2022.

Net Pension Liability

The net pension liability disclosed as current year below was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Educational Service Center's proportion of the net pension liability was based on the Educational Service Center's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0107749%	0.009468607%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0113117%</u>	<u>0.009061840%</u>	
Change in Proportionate Share	<u>-0.0005368%</u>	<u>0.000406767%</u>	
Proportion of the Net Pension Liability	\$397,563	\$1,210,647	\$1,608,210

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the 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.

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

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

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Educational Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$661,446	\$397,563	\$175,018

Actuarial Assumptions - STRS

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS (continued)

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

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

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

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

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and was 7.45% at the end of June 30,2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 6 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS (continued)

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$2,267,088	\$1,210,647	\$317,956

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

Social Security System

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 Employees Retirement System. As of June 30, 2022, none of the Educational Service Center's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 7 – POSTEMPLOYMENT BENEFITS

Net Other Post Employment Benefits (OPEB) Liability (Asset)

See Note 6 for a description of the net OPEB liability (asset).

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

School Employees Retirement System

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System (continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the Educational Service Center's surcharge obligation was \$11,367.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2022. The Educational Service Center's contractually required contribution to SERS was \$11,367 fiscal year 2022.

State Teachers Retirement System of Ohio

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

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio (continued)

	SERS	STRS	Total
Proportionate Share of the Net OPEB (Asset) Liability - Current Year	0.0106196%	0.009468607%	
Proportionate Share of the Net OPEB (Asset) Liability - Prior Year	0.0109069%	0.009061840%	
Change in Proportionate Share	-0.0002873%	0.000406767%	
Proportion of the Net OPEB Liability	\$200,985	\$0	\$200,985
Proportion of the Net OPEB (Asset)	\$0	(\$199,638)	(\$199,638)

Actuarial Assumptions - SERS

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – SERS (continued)

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

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

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

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – SERS (continued)

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

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

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
District's proportionate share of the net OPEB liability	\$249,044	\$200,985	\$162,591

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – SERS (continued)

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB liability	\$154,742	\$200,985	\$262,751

Actuarial Assumptions - STRS

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

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

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

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

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

STRS' Investment consultant develops an estimate range for 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:

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – STRS (continued)

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate — The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021 and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

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

	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
District's proportionate share of the net OPEB (asset) liability	(\$168,463)	(\$199,638)	(\$225,679)
	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rate</u>	<u>1% Increase in Trend Rates</u>
District's proportionate share of the net OPEB (asset) liability	(\$224,624)	(\$199,638)	(\$168,740)

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions – STRS (continued)

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

NOTE 8 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

The Educational Service Center provides health and major medical insurance for all eligible employees through the Lawrence County Schools Council of Governments Health Benefits Program. The Educational Service Center pays seventy-five percent of monthly premiums, or \$2,333.91, for family coverage and seventy-five percent of monthly premiums, or \$944.90 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The Educational Service Center also provides prescription drug insurance to its employees through the same insurance carrier.

NOTE 9 - JOINTLY GOVERNED ORGANIZATIONS

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

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The Educational Service Center paid META \$47,391 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Collins Career Center – The Collins Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Collins Career Center, 11627 State Route 243, Chesapeake, Ohio 45619. The Educational Service Center made payments in the amount of \$22,970 to the Collins Career Center in fiscal year 2022.

NOTE 10 - INSURANCE PURCHASING POOLS

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 10 - INSURANCE PURCHASING POOLS (continued)

affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

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

NOTE 11 - CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2022, if applicable, cannot be determined at this time.

B. Litigation

The Educational Service Center is currently party to legal proceedings. Although the outcome of these lawsuits is not presently determinable, it is of the opinion of the Educational Service Center that resolution of one of these legal proceedings has the potential to have a material adverse effect on the financial condition of the Educational Service Center. No determination regarding any potential liability, if any, can be made at the present time.

NOTE 12 – FUND BALANCES

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

Lawrence County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

NOTE 12 – FUND BALANCES (continued)

Fund Balances	General Fund	Special Ed Cooperative	Lawrence Co Joint Cooperative	Other Governmental Funds	Total Governmental Funds
Restricted for					
Special Education	0	286,228	0	0	286,228
Joint Programs	0	0	757,540	0	757,540
Alternative School	0	0	0	202,342	202,342
Grants	0	0	0	51,333	51,333
Total Restricted	0	286,228	757,540	253,675	1,297,443
Committed to					
Retirement					
Severance Benefits	15,118	0	0	0	15,118
Assigned to					
Other Purposes	733,636	0	0	0	733,636
Unassigned	752,128	0	0	0	752,128
Total Fund Balances	\$1,500,882	\$286,228	\$757,540	\$253,675	\$2,798,325

NOTE 13 – INTERFUND ACTIVITY

During the year, the Educational Service Center advanced \$8,680 and \$113,178 from the General Fund to the Intern Psychologist Grant Fund and the Extended Learning and Recovery Fund, respectively.

During fiscal year 2022, the Educational Service Center transferred \$500 from the General Fund to the Franklin B. Walter non-major special revenue fund.

NOTE 14 – COMPLIANCE

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

NOTE 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The impact on the District's future operating costs, revenues, and recovery from emergency funding (if any), either federal or state, cannot be estimated.

During fiscal year 2022, the Educational Service Center received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

NOTE 16 – SUBSEQUENT EVENTS

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

Also, on October 13, 2022, the Board approved to reimburse the Districts for the unused Co-Op monies from previous fiscal years. The total amount refunded to the Districts totaled \$1,118,125.

Lawrence County Educational Service Center
*Schedule of Receipts, Disbursements and Changes in
Fund Balance - Budget (Budget Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Cash Receipts				
Intergovernmental	\$ 261,355	\$ 261,355	\$ 267,283	\$ 5,928
Interest	610	610	14	(596)
Contract Services	1,142,963	1,142,963	1,061,590	(81,373)
Rent	1,978	1,978	1,140	(838)
Miscellaneous	153,116	153,116	31,861	(121,255)
Charges for Services	178,639	178,639	175,112	(3,527)
<i>Total Cash Receipts</i>	<u>1,738,661</u>	<u>1,738,661</u>	<u>1,537,000</u>	<u>(201,661)</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	-	-	1,000	(1,000)
Special	-	-	2,060	(2,060)
Adult/Continuing	-	-	2,117	(2,117)
Other	33,344	33,344	27,864	5,480
Support Services:				
Pupils	1,295,028	1,295,028	525,095	769,933
Instructional Staff	631,994	631,994	179,356	452,638
Board of Education	126,264	126,264	120,550	5,714
Administration	207,312	207,312	230,022	(22,710)
Fiscal	161,121	161,121	159,103	2,018
Operation and Maintenance of Plant	68,352	68,352	61,855	6,497
Pupil Transportation	-	-	-	-
Central	48,758	48,758	148,997	(100,239)
<i>Total Cash Disbursements</i>	<u>2,572,173</u>	<u>2,572,173</u>	<u>1,458,019</u>	<u>1,114,154</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(833,512)</u>	<u>(833,512)</u>	<u>78,981</u>	<u>912,493</u>
Other Financing Sources (Uses)				
Advances Out	-	-	(121,858)	(121,858)
Refund of Prior Year Expenditures	20,144	20,144	-	(20,144)
Transfers Out	-	-	(500)	(500)
<i>Total Other Financing Sources (Uses)</i>	<u>20,144</u>	<u>20,144</u>	<u>(122,358)</u>	<u>(142,502)</u>
<i>Net Change in Fund Balance</i>	<u>(813,368)</u>	<u>(813,368)</u>	<u>(43,377)</u>	<u>769,991</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,482,813</u>	<u>1,482,813</u>	<u>1,482,813</u>	<u>-</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>36,061</u>	<u>36,061</u>	<u>36,061</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 705,506</u>	<u>\$ 705,506</u>	<u>\$ 1,475,497</u>	<u>\$ 769,991</u>

See accompanying notes to the supplementary information.

Lawrence County Educational Service Center
*Schedule of Receipts, Disbursements and Changes in
Fund Balance - Budget (Budget Basis) and Actual
Special Ed Cooperative Fund
For the Fiscal Year Ended June 30, 2022*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues				
Contract Services	\$ 901,959	\$ 901,959	\$ 832,994	\$ (68,965)
<i>Total Revenues</i>	<u>901,959</u>	<u>901,959</u>	<u>832,994</u>	<u>(68,965)</u>
Expenditures				
Current:				
Instruction:				
Special	1,607,435	1,607,435	665,743	941,692
Support Services:				
Administration	72,623	72,623	32,757	39,866
Fiscal	396	396	3,516	(3,120)
Operation and Maintenance of Plant	75,534	75,534	35,946	39,588
Central	188,936	188,936	67,002	121,934
<i>Total Expenditures</i>	<u>1,944,924</u>	<u>1,944,924</u>	<u>804,964</u>	<u>1,139,960</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,042,965)</u>	<u>(1,042,965)</u>	<u>28,030</u>	<u>1,070,995</u>
<i>Net Change in Fund Balance</i>	(1,042,965)	(1,042,965)	28,030	1,070,995
<i>Fund Balance at Beginning of Year</i>	230,384	230,384	230,384	-
<i>Prior Year Encumbrances Appropriated</i>	<u>15,460</u>	<u>15,460</u>	<u>15,460</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ (797,121)</u>	<u>\$ (797,121)</u>	<u>\$ 273,874</u>	<u>\$ 1,070,995</u>

See accompanying notes to the supplementary information.

Lawrence County Educational Service Center
*Schedule of Receipts, Disbursements and Changes in
Fund Balance - Budget (Budget Basis) and Actual
Lawrence Co Joint Cooperative Fund
For the Fiscal Year Ended June 30, 2022*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
Revenues				
Charges for Services	\$ 453,380	\$ 453,380	\$ 591,246	\$ 137,866
<i>Total Revenues</i>	<u>453,380</u>	<u>453,380</u>	<u>591,246</u>	<u>137,866</u>
Expenditures				
Current:				
Instruction:				
Special	149,597	149,597	76,190	73,407
Support Services:				
Administration	205,275	205,275	110,251	95,024
Fiscal	111	111	1,250	(1,139)
Operation and Maintenance of Plant	9,334	9,334	9,333	1
Central	387,324	387,324	277,677	109,647
<i>Total Expenditures</i>	<u>751,641</u>	<u>751,641</u>	<u>474,701</u>	<u>276,940</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(298,261)</u>	<u>(298,261)</u>	<u>116,545</u>	<u>414,806</u>
<i>Net Change in Fund Balance</i>	(298,261)	(298,261)	116,545	414,806
<i>Fund Balance at Beginning of Year</i>	477,858	477,858	477,858	-
<i>Prior Year Encumbrances Appropriated</i>	<u>149,820</u>	<u>149,820</u>	<u>149,820</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 329,417</u>	<u>\$ 329,417</u>	<u>\$ 744,223</u>	<u>\$ 414,806</u>

See accompanying notes to the supplementary information.

Lawrence County Educational Service Center

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

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

	Net Changes in Fund Balances		
	General	Special Ed Cooperative	Lawrence Co Joint Cooperative
Cash Basis	\$ (33,112)	\$ 40,404	\$ 129,865
Perspective Difference:			
Activity of Funds Reclassified for Cash Reporting Purposes	35,635	-	-
Encumbrances	(45,900)	(12,374)	(13,320)
Budget Basis	<u>\$ (43,377)</u>	<u>\$ 28,030</u>	<u>\$ 116,545</u>

OHIO AUDITOR OF STATE KEITH FABER



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

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Educational Service Center, Lawrence County, (the Center), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 4, 2023, wherein we noted the Center uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Center.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2022-001.

Center's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
January 4, 2023

LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2022

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

FINDING NUMBER 2022-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Center to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The Center prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the Center may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the Center's ability to evaluate and monitor the overall financial condition of the Center. To help provide the users with more meaningful financial statements, the Center should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

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

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**Lawrence County Educational Service Center
Lawrence County**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Material Non-Compliance: OAC 117-2-03(B) – failed to prepare financial statement using generally accepted accounting principles.	Not corrected	Not Corrected. Reissued as Finding Number 2022-001

OHIO AUDITOR OF STATE KEITH FABER



LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/19/2023

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

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