

**EDUCATIONAL SERVICE CENTER  
OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2024**

***Zupka & Associates***  
**Certified Public Accountants**





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Governing Board  
Educational Service Center of the Western Reserve  
8221 Auburn Road  
Concord Township, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Educational Service Center of the Western Reserve, Lake County, prepared by Zupka & Associates, for the audit period July 1, 2023 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 07, 2025

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**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

Educational Service Center of the Western Reserve  
Lake County  
8221 Auburn Road  
Concord Township, Ohio 44077

To the Members of the Governing Board:

### Report on the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of the Western Reserve, Lake County, Ohio, (the Center) as of and for the year ended June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of the Western Reserve as of June 30, 2024, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 opinion.

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the required budgetary comparison schedule for the Lake County School Financing District Fund, and the Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Zupka & Associates  
Certified Public Accountants

December 18, 2024

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**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)**

The management's discussion and analysis of the Educational Service Center of the Western Reserve (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the Center's financial performance; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2024 are as follows:

- General revenues accounted for \$7,126,014 in revenue or 28.48% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$17,892,961 or 71.52% of total revenues of \$25,018,975.
- The Center had \$22,424,551 in expenses related to governmental activities; \$17,892,961 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of \$7,126,014 were also used to provide for these programs.
- The Center's net position increased \$2,594,424 or 13.61% from the restated net position at July 1, 2023 (see Note 3.B in the notes to the basic financial statements for detail).

**Using the Basic Financial Statements**

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

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

**Reporting the Center as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2024?" The Government-wide Financial Statements answers this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Center's net position and changes in the net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial.

In the Government-wide Financial Statements, the Center presents:

- Governmental Activities - Most of the Center's programs and services are reported here including instruction, support services, and operation of non-instructional services.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)**

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

***Fund Financial Statements***

The analysis of the Center's major funds begins on the balance sheet. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds.

***Governmental Funds***

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

***Proprietary Fund*** - When services are provided to another department of the Center, the services are reported in internal service funds. The Center has three internal service funds.

***Fiduciary Funds*** - Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs. The Center serves as fiscal agent for the iSTEM Geauga Early College High School and the Lake Geauga Computer Association.

***Notes to the Basic Financial Statements***

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Lake County School Financing District's budgetary schedule and the Center's net pension and net OPEB liability/asset.

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**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)**

**The Center as a Whole**

The statement of net position provides the perspective of the Center as a whole. Net position of governmental activities was restated at the beginning of year, as detailed in Note 3.B in the notes to the basic financial statements. The following table provides a summary of the Center's net position for fiscal years 2023 and 2024.

**Table 1 - Net Position**

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>(Restated) 2023</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 10,843,883	\$ 10,467,983
Net OPEB asset	1,193,594	1,596,500
Capital assets, net	<u>901,299</u>	<u>800,579</u>
Total assets	<u>12,938,776</u>	<u>12,865,062</u>
<b><u>Deferred outflows of resources</u></b>		
Pension	3,547,757	4,645,503
OPEB	<u>940,634</u>	<u>579,151</u>
Total deferred outflows of resources	<u>4,488,391</u>	<u>5,224,654</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,293,221	1,692,491
Long-term liabilities:		
Due in more than one year	209,139	155,677
Net pension liability	18,981,691	19,844,373
Net OPEB liability	1,734,597	1,609,621
Other amounts	<u>1,416,314</u>	<u>1,265,773</u>
Total liabilities	<u>23,634,962</u>	<u>24,567,935</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes	4,853,736	4,806,537
Pension	2,327,022	3,882,517
OPEB	<u>3,073,339</u>	<u>3,889,043</u>
Total deferred inflows of resources	<u>10,254,097</u>	<u>12,578,097</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	126,594	89,284
Restricted	1,986,422	2,495,740
Unrestricted (deficit)	<u>(18,574,908)</u>	<u>(21,641,340)</u>
Total net position (deficit)	<u>\$ (16,461,892)</u>	<u>\$ (19,056,316)</u>

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)**

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2024, the Center's net position was (\$16,461,892).

A portion of the Center's net position, \$1,986,422, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)

Net position of governmental activities was restated at the beginning of year, as detailed in Note 3.B in the notes to the basic financial statements. The following table shows the change in net position for fiscal years 2024 and 2023.

**Table 2 - Change in Net Position**

	<u>Governmental Activities</u>	
		(Restated)
	<u>2024</u>	<u>2023</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 12,614,378	\$ 12,865,571
Operating grants and contributions	5,278,583	6,464,249
Total program revenues	<u>17,892,961</u>	<u>19,329,820</u>
General revenues:		
Property taxes	5,493,129	5,396,996
Grants and entitlements, not restricted	1,228,539	1,058,174
Investment earnings	43,735	52,477
Miscellaneous	360,611	547,811
Total general revenues	<u>7,126,014</u>	<u>7,055,458</u>
Total revenues	<u>25,018,975</u>	<u>26,385,278</u>
<b><u>Expenses</u></b>		
Instruction:		
Regular	2,148,552	4,074,300
Special	2,787,626	3,189,953
Vocational	463,739	286,999
Adult/continuing	-	35,792
Support services:		
Pupil	3,516,183	3,443,342
Instructional staff	2,656,182	1,949,132
General administration	6,100,486	6,027,072
School administration	2,356,087	2,014,546
Fiscal	721,978	471,672
Business	63,422	75,623
Operations and maintenance	617,694	486,281
Pupil transportation	348,870	249,592
Central	497,341	385,251
Operation of non-instructional services	93,534	121,880
Extracurricular services	10,419	6,492
Interest and fiscal charges	42,438	34,070
Total expenses	<u>22,424,551</u>	<u>22,851,997</u>
Change in net position	<u>2,594,424</u>	<u>3,533,281</u>
Net position (deficit) at beginning of year (restated)	<u>(19,056,316)</u>	<u>(22,589,597)</u>
Net position (deficit) at end of year	<u>\$ (16,461,892)</u>	<u>\$ (19,056,316)</u>

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)

**Governmental Activities**

The Center revenues are mainly from charges for services and sales, and property taxes levied for special revenue purposes comprising 72.38% of the Center's fiscal year 2024 revenues for governmental activities.

Instruction comprises 24.08% of fiscal year 2024 governmental program expenses. Support services were 75.27% of fiscal year 2024 governmental program cash expenses. The remaining fiscal year 2024 program expenses were 0.65%.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2023 and 2024. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements and other general revenues of the Center. Net cost of services was restated at the beginning of year, as detailed in Note 3.B in the notes to the basic financial statements.

**Table 3 - Governmental Activities**

	Total Cost of Services <u>2024</u>	Net Cost of Services <u>2024</u>	Total Cost of Services <u>2023</u>	(Restated) Net Cost of Services <u>2023</u>
Program expenses:				
Instruction:				
Regular	\$ 2,148,552	\$ 189,637	\$ 4,074,300	\$ 481,333
Special	2,787,626	114,299	3,189,953	6,607,188
Vocational	463,739	(1,015)	286,999	1,007,916
Adult/continuing	-	-	35,792	(35,792)
Other	-	-	-	4,647
Support services:				
Pupil	3,516,183	180,262	3,443,342	(2,795,456)
Instructional staff	2,656,182	292,084	1,949,132	(567,648)
General administration	6,100,486	(5,524,095)	6,027,072	(5,487,314)
School administration	2,356,087	146,159	2,014,546	(1,213,806)
Fiscal	721,978	15,152	471,672	(334,157)
Business	63,422	12,628	75,623	(68,623)
Operations and maintenance	617,694	(74,293)	486,281	(438,920)
Pupil transportation	348,870	(13,281)	249,592	(220,686)
Central	497,341	166,630	385,251	(321,531)
Operation of non-instructional services	93,534	7,872	121,880	(108,754)
Extracurricular activities	10,419	(1,191)	6,492	3,496
Interest and fiscal charges	<u>42,438</u>	<u>(42,438)</u>	<u>34,070</u>	<u>(34,070)</u>
Total expenses	<u>\$ 22,424,551</u>	<u>\$ (4,531,590)</u>	<u>\$ 22,851,997</u>	<u>\$ (3,522,177)</u>

For all governmental activities, program revenue support is 20.21% at June 30, 2024 and 15.17% at June 30, 2023. The Center's charges for services and sales are by far the primary support for the Center's students.

**The Center's Funds**

The Center has two major governmental funds: the general fund and the Lake County School Financing District fund.

General Fund - Fund balance at June 30, 2024 was \$3,193,041. The net change in fund balance was \$698,637.

Lake County School Financing District Fund - Fund balance at June 30, 2024 was \$326,274. The net change in fund balance was \$27,163.



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024  
(UNAUDITED)**

**General Fund Budgeting Highlights**

Under Ohio law, educational service centers are no longer required to prepare a budget. Therefore, at June 30, 2024 a budgetary statement is not presented within the basic financial statements because the Board of Education did not approve estimated revenues or adopt appropriations except for the Lake County School Financing District fund, which is required to be presented since the fund collects property tax revenue.

**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2024, the Center had \$901,299 invested in equipment and intangible right to use buildings. Refer to Note 8 in the notes to the basic financial statements for further details on the Center's capital assets.

***Debt Administration***

At June 30, 2024, the Center had notes payable of \$483,744 with \$66,896 due in one year and a lease liability of \$663,799 with \$48,715 due in one year. Refer to Note 9 in the notes to the basic financial statements for further details on the Center's debt.

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Greg Slemons, at the Educational Service Center of the Western Reserve, 8221 Auburn Road Concord Township, OH 44077.

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**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2024

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 4,146,408
Receivables:	
Property taxes	5,382,130
Accounts	264,443
Intergovernmental	571,690
Notes	479,212
Net OPEB asset	1,193,594
Depreciable/amortized capital assets, net	901,299
Total assets	<u>12,938,776</u>
<b>Deferred outflows of resources:</b>	
Pension	3,547,757
OPEB	940,634
Total deferred outflows of resources	<u>4,488,391</u>
<b>Liabilities:</b>	
Accounts payable	51,500
Accrued wages and benefits payable	995,284
Intergovernmental payable	171,092
Accrued interest payable	6,149
Unearned revenue	69,196
Long-term liabilities:	
Due within one year	209,139
Due in more than one year:	
Net pension liability	18,981,691
Net OPEB liability	1,734,597
Other amounts due in more than one year	1,416,314
Total liabilities	<u>23,634,962</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year	4,853,736
Pension	2,327,022
OPEB	3,073,339
Total deferred inflows of resources	<u>10,254,097</u>
<b>Net position:</b>	
Net investment in capital assets	126,594
Restricted for:	
Lake County School Financing District	528,394
State funded programs	83,914
Federally funded programs	4,709
Other grants	136,485
Extracurricular	4,873
Unclaimed monies	34,453
OPEB	1,193,594
Unrestricted (deficit)	(18,574,908)
Total net position	<u><u>\$ (16,461,892)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 2,148,552	\$ 764,518	\$ 1,573,671	\$ 189,637
Special	2,787,626	2,776,685	125,240	114,299
Vocational	463,739	441,655	21,069	(1,015)
Support services:				
Pupil	3,516,183	3,562,370	134,075	180,262
Instructional staff	2,656,182	1,160,757	1,787,509	292,084
General administration	6,100,486	34,925	541,466	(5,524,095)
School administration	2,356,087	1,667,158	835,088	146,159
Fiscal	721,978	500,963	236,167	15,152
Business	63,422	76,050	-	12,628
Operations and maintenance	617,694	521,054	22,347	(74,293)
Pupil transportation	348,870	335,589	-	(13,281)
Central	497,341	662,020	1,951	166,630
Operation of non-instructional services	93,534	101,406	-	7,872
Extracurricular activities	10,419	9,228	-	(1,191)
Interest and fiscal charges	42,438	-	-	(42,438)
<b>Totals</b>	<b>\$ 22,424,551</b>	<b>\$ 12,614,378</b>	<b>\$ 5,278,583</b>	<b>(4,531,590)</b>
<b>General revenues:</b>				
Property taxes levied for:				
Special revenue purposes - Lake County School				
Financing District				5,493,129
Grants and entitlements, not restricted				1,228,539
Investment earnings				43,735
Miscellaneous				360,611
Total general revenues				<u>7,126,014</u>
Change in net position				2,594,424
Net position (deficit) as previously reported				(19,572,253)
Error correction (see Note 3.B)				<u>515,937</u>
<b>Net position (deficit) at beginning of year (restated)</b>				<u>(19,056,316)</u>
<b>Net position (deficit) at end of year</b>				<u><u>\$ (16,461,892)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

	<b>General</b>	<b>Lake County School Financing District</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 3,586,062	\$ -	\$ 434,209	\$ 4,020,271
Receivables:				
Property taxes	-	5,382,130	-	5,382,130
Accounts	264,443	-	-	264,443
Intergovernmental	141,668	-	430,022	571,690
Interfund loans	371,573	-	-	371,573
Notes	479,212	-	-	479,212
Total assets	<u>\$ 4,842,958</u>	<u>\$ 5,382,130</u>	<u>\$ 864,231</u>	<u>\$ 11,089,319</u>
<b>Liabilities:</b>				
Accounts payable	\$ 21,304	\$ -	\$ 30,196	\$ 51,500
Accrued wages and benefits payable	853,817	-	141,467	995,284
Compensated absences payable	6,788	-	-	6,788
Intergovernmental payable	155,198	-	15,894	171,092
Interfund loans payable	-	-	371,573	371,573
Unearned revenue	-	-	69,196	69,196
Total liabilities	<u>1,037,107</u>	<u>-</u>	<u>628,326</u>	<u>1,665,433</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	-	4,853,736	-	4,853,736
Delinquent property tax revenue not available	-	202,120	-	202,120
Intergovernmental revenue not available	-	-	35,248	35,248
Contract services revenue not available	135,091	-	-	135,091
Notes revenue not available	477,719	-	-	477,719
Total deferred inflows of resources	<u>612,810</u>	<u>5,055,856</u>	<u>35,248</u>	<u>5,703,914</u>
<b>Fund balances:</b>				
Nonspendable:				
Notes receivable	1,493	-	-	1,493
Unclaimed monies	34,453	-	-	34,453
Restricted:				
Lake County School Financing District	-	326,274	-	326,274
State funded programs	-	-	83,642	83,642
Federally funded programs	-	-	2,856	2,856
Other grants	-	-	136,485	136,485
Extracurricular	-	-	4,873	4,873
Assigned:				
Student instruction	34,453	-	-	34,453
Student and staff support	97,995	-	-	97,995
Extracurricular activities	305	-	-	305
Unassigned (deficit)	<u>3,024,342</u>	<u>-</u>	<u>(27,199)</u>	<u>2,997,143</u>
Total fund balances	<u>3,193,041</u>	<u>326,274</u>	<u>200,657</u>	<u>3,719,972</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,842,958</u>	<u>\$ 5,382,130</u>	<u>\$ 864,231</u>	<u>\$ 11,089,319</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2024**

<b>Total governmental fund balances</b>		\$ 3,719,972
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		901,299
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 202,120	
Accounts receivable	135,091	
Intergovernmental receivable	35,248	
Notes receivable	477,719	
Total	<u>                    </u>	850,178
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position.		126,137
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(6,149)
The net pension/OPEB assets & liabilities are not due and payable in the in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	3,547,757	
Deferred inflows - pension	(2,327,022)	
Net pension liability	(18,981,691)	
Deferred outflows - OPEB	940,634	
Deferred inflows - OPEB	(3,073,339)	
Net OPEB asset	1,193,594	
Net OPEB liability	(1,734,597)	
Total	<u>                    </u>	(20,434,664)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(471,122)	
Notes payable	(483,744)	
Lease liability	(663,799)	
Total	<u>                    </u>	(1,618,665)
<b>Net position of governmental activities</b>		<u><u>\$ (16,461,892)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<b>General</b>	<b>Lake County School Financing District</b>	<b>(Formerly Major) Other Grants</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Property taxes	\$ -	\$ 5,551,947		\$ -	\$ 5,551,947
Intergovernmental	1,228,539	541,466		4,742,013	6,512,018
Investment earnings	81,953	-		-	81,953
Tuition and fees	1,239,327	-		-	1,239,327
Extracurricular	9,228	-		-	9,228
Rental income	70,073	-		-	70,073
Contract services	11,160,659	-		-	11,160,659
Contributions and donations	7,748	-		-	7,748
Miscellaneous	352,863	-		-	352,863
Total revenues	<u>14,150,390</u>	<u>6,093,413</u>		<u>4,742,013</u>	<u>24,985,816</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	811,222	-		1,698,972	2,510,194
Special	2,946,310	-		122,532	3,068,842
Vocational	468,636	-		17,256	485,892
Support services:					
Pupil	3,779,994	-		135,996	3,915,990
Instructional staff	1,231,667	-		1,609,697	2,841,364
General administration	37,058	6,066,250		-	6,103,308
School administration	1,770,414	-		832,061	2,602,475
Fiscal	531,567	-		235,111	766,678
Business	80,696	-		-	80,696
Operations and maintenance	478,532	-		15,000	493,532
Pupil transportation	356,090	-		-	356,090
Central	703,962	-		1,951	705,913
Operation of non-instructional services	107,479	-		-	107,479
Extracurricular activities	10,419	-		-	10,419
Facilities acquisition and construction	143,255	-		97,690	240,945
Debt service:					
Principal retirement	97,038	-		-	97,038
Interest and fiscal charges	36,289	-		-	36,289
Total expenditures	<u>13,590,628</u>	<u>6,066,250</u>		<u>4,766,266</u>	<u>24,423,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>559,762</u>	<u>27,163</u>		<u>(24,253)</u>	<u>562,672</u>
<b>Other financing sources:</b>					
Note issuance	<u>138,875</u>	<u>-</u>		<u>-</u>	<u>138,875</u>
Net change in fund balances	698,637	27,163		(24,253)	701,547
Fund balances (deficit) as previously reported	2,494,404	299,111	263,461	(38,551)	3,018,425
Adjustment-changes in major fund to nonmajor fund	<u>-</u>	<u>-</u>	<u>(263,461)</u>	<u>263,461</u>	<u>-</u>
<b>Fund balances at beginning of year</b>	2,494,404	299,111		224,910	3,018,425
<b>Fund balances at end of year</b>	<u><u>\$ 3,193,041</u></u>	<u><u>\$ 326,274</u></u>		<u><u>\$ 200,657</u></u>	<u><u>\$ 3,719,972</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**Net change in fund balances - total governmental funds** **\$ 701,547**

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital asset additions	\$ 193,043	
Current year depreciation/amortization	(92,323)	
Total		100,720

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(58,818)	
Earnings on investments	(38,218)	
Contract services	135,091	
Intergovernmental	(4,896)	
Total		33,159

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 97,038

Issuance of notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. (138,875)

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. (6,149)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	1,564,854	
OPEB	56,247	
Total		1,621,101

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.

Pension	(244,423)	
OPEB	593,058	
Total		348,635

Some expenses reported in the statement of activities (compensated absences) do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (155,378)

An internal service fund used by management to charge back costs to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

(7,374)

**Change in net position of governmental activities** **\$ 2,594,424**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2024

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>	
Equity in pooled cash and investments	<u>\$ 126,137</u>
<b>Net position:</b>	
Unrestricted	<u><u>\$ 126,137</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services	\$ 2,589,544
Other	5,391
Total operating revenues	<u>2,594,935</u>
<b>Operating expenses:</b>	
Personal services	2,594,739
Purchased services	5,285
Materials and supplies	2,285
Total operating expenses	<u>2,602,309</u>
Operating (loss)/change in net position	(7,374)
<b>Net position at beginning of year</b>	<u>133,511</u>
<b>Net position at end of year</b>	<u><u>\$ 126,137</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 2,589,544
Cash received from other operations	5,391
Cash payments for personal services	(2,594,739)
Cash payments for purchased services	(5,285)
Cash payments for materials and supplies	(2,285)
Net cash (used in) operating activities	<u>(7,374)</u>
Net (decrease) in cash and investments	(7,374)
<b>Cash and investments at beginning of year</b>	<u>133,511</u>
<b>Cash and investments at end of year</b>	<u><u>\$ 126,137</u></u>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities:</b>	
Operating (loss)	<u>\$ (7,374)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (7,374)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2024

	<u><b>Custodial</b></u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 1,893,465
Receivables:	
Accounts	100,235
Intergovernmental	<u>2,354</u>
Total assets	<u>1,996,054</u>
<b>Liabilities:</b>	
Accounts payable	4,915
Intergovernmental payable	<u>210,921</u>
Total liabilities	<u>215,836</u>
<b>Net position:</b>	
Restricted for individuals, organizations and other governments	<u>1,780,218</u>
Total net position	<u><u>\$ 1,780,218</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u><b>Custodial</b></u>
<b>Additions:</b>	
Collections for iSTEM Geagua Early College High School	\$ 2,247,643
Collections for Lake Geauga Computer Association	<u>3,147,453</u>
Total additions	<u>5,395,096</u>
<b>Deductions:</b>	
Distributions to iSTEM Geagua Early College High School	2,061,892
Distributions to Lake Geauga Computer Association	<u>3,427,929</u>
Total deductions	<u>5,489,821</u>
Change in net position	(94,725)
<b>Net position at beginning of year</b>	<u>1,874,943</u>
<b>Net position at end of year</b>	<u><u>\$ 1,780,218</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Educational Service Center of the Western Reserve (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a local county school district as defined by Section 3311.05 of the Ohio Revised Code. The Center operates under a nine member elected Board of Education and is responsible for the provision of public education to residents of the Center.

The Center is located in Lake County. The Center serves all school districts in Lake and Geauga County. These school districts include: Auburn Career Center, Berkshire Local School District, Cardinal Local School District, Chardon Local School District, Fairport Harbor Exempted Village School District, iSTEM Geauga Early College High School, Kenston Local School District, Kirtland Local School District, Madison Local School District, Mentor Exempted Village School District, Painesville City Local School District, Perry Local School District, Riverside Local School District, West Geauga Local School District, Wickliffe City School District and Willoughby-Eastlake City School District. The Center also serves school districts in Cuyahoga and Ashtabula Counties.

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

The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The financial statements include all the organizations, activities, functions and component units for which the Center (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the Center's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Center.

On this basis, the financial statements of the Lake County School Financing District have been included in the accompanying financial statements as a blended component unit. The Lake County School Financing District is legally separate, but governed by the same board; therefore, the Center has the ability to impose its will over the Lake County School Financing District. The Center acts as the fiscal agent for the Lake County School Financing District; however, the Lake County School Financing District is reported as a special revenue fund.

The Center is associated with two jointly governed organizations, one claims servicing pool, and one insurance purchasing pool. These organizations are:

Jointly Governed Organizations:

Lake Geauga Computer Association  
Ohio Schools Council Association

Claims Servicing Pool:

Lake County Schools Council of Governments' Health Care Benefits Program

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation GRRP

Information about these organizations is discussed in Notes 12, 13 and 14 to the basic financial statements.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**B. Fund Accounting**

The Center uses funds to maintain its financial records during the fiscal year ended June 30, 2024. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Center classifies each fund as either governmental, proprietary or fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the Center's major governmental funds:

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Lake County School Financing District – The Lake County School Financing District Fund was created for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

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

*PROPRIETARY FUNDS*

Certain Center funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. Proprietary funds are classified as either enterprise funds or internal service funds. The Center does not have any enterprise funds.

Internal Service Funds – Internal service funds account for the financing of services provided by one department or agency to other Center departments or agencies or to other governments, on a cost reimbursement basis. The internal service funds account for the Center's insurance plan, workers compensation, and teachers' training for special education teachers and fingerprinting for the local school districts on a cost reimbursement basis.

*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. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center's only fiduciary funds are custodial. The Center is the fiscal agent for the Lake-Geauga Computer Association and the iSTEM Geauga Early College High School, which are accounted for in custodial funds.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Center are included on the statement of net position. Fiduciary funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of net fiduciary position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from private purpose and custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

**D. Basis of Accounting**

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



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 10 and 11 for deferred outflows of resources related to net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources may include property taxes, leases, OPEB, grants and other taxes, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of six month ended June, 30 2024, but which were levied to finance year 2025 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 10 and 11.

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

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

**E. Budgets**

Except for the Lake County School Financing District fund, which is required to be presented since it collects property tax revenue, no budgetary information is presented because the Board of Education did not approve estimated revenues or adopt appropriations. Under Ohio law, Educational Service Centers are not required to prepare a budget.

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**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**F. Cash and Investments**

To improve cash management, cash received by the Center is pooled. Monies for all funds, including proprietary and fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements.

As of June 30, 2024, investments were limited to STAR Ohio. All investments of the Center had a maturity of one year or less. Investments are reported at fair value, which is based on quoted market prices.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The 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. 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. STAR Ohio 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.

Following Ohio statutes, the Center has, by resolution, identified the funds to receive an allocation of interest. Interest revenue as of June 30, 2024, amounted to \$81,953 in the General fund, which includes \$7,412 assigned from other Center funds.

**G. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Center, these revenues are charges for services for insurance, workers' compensation, and sales for teacher's training and finger printing. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenue and expenses not meeting the definition of operating are reported as non-operating.

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Center maintains a capitalization threshold of \$5,000 or more (policy 7455). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture and equipment	3 - 10 years
Vehicles	10 years
Intangible right to use leased building	20 years

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

The Center is reporting intangible right to use assets related to a leased building. The intangible assets is being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

**I. Compensated Absences**

The Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

The compensated absences liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds and estimated on the Center's past experience of making termination payments.

The Center's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
<b><i>Vacation:</i></b>			
How earned	Not eligible unless state in contract	Per contract	10-15 days depending on length of service
Maximum accumulation	Not eligible unless state in contract	Per contract	Per contract
Vested	Not applicable or as earned	As earned	As earned
Termination entitlement	Not applicable or paid upon termination	Paid upon termination or separation	Paid upon termination or separation
<b><i>Sick Leave:</i></b>			
How earned	Full-time; prorated if less than full-time per month of employment (15 days/year)	Full-time; prorated if less than full-time per month of employment (15 days/year)	Full-time; prorated if less than full-time per month of employment (15 days/year)
Maximum accumulation	Unlimited	Unlimited	Unlimited
Vested	As earned	As earned	As earned
Termination entitlement	280 days	280 days	280 days

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

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

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

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

**K. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the 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 spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes, but do not meet the criteria to be classified as restricted nor 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 Center's Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**L. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation less outstanding debt used to acquire capital assets. Net position is reported

as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the Center's \$1,986,422 in restricted net position, none were restricted by enabling legislation.

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

The Center recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

**N. Estimates**

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

**O. Interfund Activity**

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

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**P. Pensions/Other Postemployment Benefits (OPEB)**

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

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

**Q. Restricted Assets**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2024, the Center has implemented certain paragraphs from GASB Implementation Guide No. 2021-1, certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*", GASB Statement No. 100, "*Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*" and Implementation Guide No. 2023-1.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on balances previously reported by the Center.

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

GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the Center.

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2023-1 did not have an effect on the financial statements of the Center.

**B. Restatement of Net Position - Error Correction**

Net position of governmental activities has been restated by \$515,937 from \$(19,572,253) as previously reported to \$(19,056,316) to reclassify the lease receivable/deferred inflows of resources as previously reported, to notes receivable at July 1, 2023. The agreement is a direct financing purchase agreement that transfers ownership at the end of the term. Net position was restated to recognize the revenue at the inception of the agreement, thereby reducing deferred inflows of resources-lease and increasing net position by \$515,937. Additionally, this adjustment would have increased net position previously reported at June 30, 2022 by \$569,811 from \$(23,159,408) to \$(22,589,597).

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Deficit Fund Balances**

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

<u>Nonmajor Special Revenue Funds:</u>	<u>Deficit</u>
Elementary and Secondary Education Emergency Relief (ESSER)	\$ 16,966
IDEA, Part B	6,476
IDEA Preschool for the Handicapped	3,757

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the fair 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have been met;

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 items (1) and (2) above 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the 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.

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

**A. Deposits with Financial Institutions**

At June 30, 2024, the carrying amount of all Center deposits was \$1,056,587. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2024, \$889,425 of the Center's bank balance of \$1,139,425 was covered by the Ohio Pooled Collateral System (OPCS) as discussed below, while \$250,000 was covered by the FDIC.

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

1. Eligible securities pledged to the 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% of the deposits being secured; or
2. 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% of the deposits being secured or a rate set by the Treasurer of State.

**B. Investments**

As of June 30, 2024, the Center had \$4,983,286 invested in STAR Ohio.



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The 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. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2024. STAR Ohio is reported at its share price (net asset value per share).

Interest Rate Risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the Center's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of Credit Risk – The Center's investment policy allows investments in Federal Agencies or Instrumentalities. At year end, the Center's allocations of investments were as follows: STAR Ohio (100%).

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

At June 30, 2024, 100% of the Center's investments were in STAR Ohio.

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2024, as reported on the fund financial statements, consist of the following interfund loans receivable/payable:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds:	
	ESSER	\$ 112,332
	IDEA, Part B	240,961
	IDEA Preschool for the Handicapped	18,110
	Other Miscellaneous State Grants	<u>170</u>
Total Interfund Loans Receivable/Payable		<u>\$ 371,573</u>

The primary purpose of the interfund loans is to cover the negative cash balances at fiscal year-end in the nonmajor governmental funds. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds have been eliminated on the statement of net position.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 6 - LAKE COUNTY SCHOOL FINANCING DISTRICT**

The Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being the Member District's total property assessed valuation and the denominator being the aggregate property assessed valuation pupil population of all Member Districts per the most recent schedule A from the Lake County Auditor.

**NOTE 7 - RECEIVABLES**

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

The Center is reporting notes receivable in the amount of \$479,212 at June 30, 2024. The notes are being collected over a fifteen-year period from March 10, 2022 through September 10, 2036 in relation to a purchase agreement for the Hadden Elementary building entered into with the iSTEM Geauga Early College Learning Academy as the borrower. The amount due on the notes in fiscal year 2025 is \$37,412.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2024</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, being depreciated/amortized:</i>				
Equipment and vehicles	\$ 602,971	\$ 193,043	\$ -	\$ 796,014
Intangible right to use:				
Building	<u>804,447</u>	<u>-</u>	<u>-</u>	<u>804,447</u>
<i>Total capital assets, being depreciated/amortized</i>	<u>1,407,418</u>	<u>193,043</u>	<u>-</u>	<u>1,600,461</u>
<i>Less: accumulated depreciation/amortization:</i>				
Equipment and vehicles	(498,375)	(38,090)	-	(536,465)
Intangible right to use:				
Building	<u>(108,464)</u>	<u>(54,233)</u>	<u>-</u>	<u>(162,697)</u>
<i>Total accumulated depreciation/amortization</i>	<u>(606,839)</u>	<u>(92,323)</u>	<u>-</u>	<u>(699,162)</u>
Total capital assets, net	<u>\$ 800,579</u>	<u>\$ 100,720</u>	<u>\$ -</u>	<u>\$ 901,299</u>

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 8 - CAPITAL ASSETS**

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

Regular	\$ 2,431
Special	1,506
Instructional staff	600
Administration	1,175
Operations and maintenance	54,233
Pupil transportation	31,528
Central	<u>850</u>
Total depreciation/amortization expense	<u>\$ 92,323</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

During fiscal year 2024, the following changes occurred in governmental activities long-term obligations.

	Outstanding <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding <u>June 30, 2024</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Notes payable ( <i>direct financing</i> ) :					
Building	\$ 394,411	\$ -	\$ (21,573)	\$ 372,838	\$ 22,391
Vehicles	<u>-</u>	<u>138,875</u>	<u>(27,969)</u>	<u>110,906</u>	<u>44,505</u>
Total notes payable	<u>394,411</u>	<u>138,875</u>	<u>(49,542)</u>	<u>483,744</u>	<u>66,896</u>
Leases liability	711,295	-	(47,496)	663,799	48,715
Net pension liability	19,844,373	-	(862,682)	18,981,691	-
Net OPEB liability	1,609,621	124,976	-	1,734,597	-
Compensated absences	<u>315,744</u>	<u>288,231</u>	<u>(126,065)</u>	<u>477,910</u>	<u>93,528</u>
Total long-term obligations, governmental activities	<u>\$ 22,875,444</u>	<u>\$ 552,082</u>	<u>\$ (1,085,785)</u>	<u>\$ 22,341,741</u>	<u>\$ 209,139</u>

Notes Payable (Direct Financing) - Building

The Center entered into a note with Erie Bank to finance the purchase of the Hadden Elementary Building on September 3, 2021. Note payments began September 10, 2021 and end on September 10, 2036. Principal and interest payments are being paid from the general fund. The annual interest rate is 3.25% - 3.5%.

Direct financings have terms negotiated directly between the Center and the lender and are not offered for public sale. In the event of default, the amounts payable by the Center may become due.

The Center entered into a related direct financing purchase agreement with the iSTEM Geauga Early College High School (the "School") for the purchase of the building by the School. See Note 7 for details on the related notes receivable reported by the Center.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the direct financing note:

Year Ended	Notes Payable - Building (Direct Financing)		
	Principal	Interest	Total
2025	\$ 22,391	\$ 13,774	\$ 36,165
2026	23,238	12,926	36,164
2027	24,547	12,046	36,593
2028	25,912	11,109	37,021
2029	26,893	10,128	37,021
2030 - 2034	156,681	34,352	191,033
2035 - 2037	93,176	5,304	98,480
Total	<u>\$ 372,838</u>	<u>\$ 99,639</u>	<u>\$ 472,477</u>

Notes Payable (Direct Financing) - Vehicles

The Center entered into a note with Erie Bank in the amount of \$86,082 to finance the purchase of two Honda Odyssey vans on July 18, 2023. Note payments began September 10, 2023 and end on March 10, 2026. Principal and interest payments are being paid from the general fund. The annual interest rate is 8.250%.

The Center entered into a note with Erie Bank in the amount of \$52,793 to finance the purchase of a Toyota Sienna van on April 25, 2024. Note payments begin September 10, 2024 and end on March 10, 2027. Principal and interest payments are being paid from the general fund. The annual interest rate is 7.50%.

Direct financings have terms negotiated directly between the Center and the lender and are not offered for public sale. In the event of default, the amounts payable by the Center may become due.

The following is a summary of the future debt service requirements to maturity for the direct financing notes:

Year Ended	Notes Payable - Vehicles (Direct Financing)		
	Principal	Interest	Total
2025	\$ 44,505	\$ 7,487	\$ 51,992
2026	47,649	4,343	51,992
2027	18,752	1,078	19,830
Total	<u>\$ 110,906</u>	<u>\$ 12,908</u>	<u>\$ 123,814</u>

Lease Liability

The Center entered into a lease agreement for the use of right to use building space at 8821 Auburn Road in a prior fiscal year for a term of twenty years. The Center has reported an intangible capital asset and corresponding liability for the future scheduled payments under the lease. Lease payments have been reclassified and are reflected as debt service expenditures for the general fund in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the lease:

Year Ended	<i>Lease Payable</i>		
	Principal	Interest	Total
2025	\$ 48,715	\$ 16,285	\$ 65,000
2026	49,966	15,034	65,000
2027	51,250	13,750	65,000
2028	52,566	12,434	65,000
2029	53,916	11,085	65,001
2030 - 2034	291,070	33,929	324,999
2035 - 2036	116,316	2,850	119,166
Total	<u>\$ 663,799</u>	<u>\$ 105,367</u>	<u>\$ 769,166</u>

Net Pension Liability - See Note 10 for detail on the net pension liability. The Center pays obligations related to employee compensation from the fund benefitting from their service, which is primarily the general fund.

Net OPEB Liability/Asset - See Note 11 for detail on the net OPEB liability/asset. The Center pays obligations related to employee compensation from the fund benefitting from their service, which is primarily the general fund.

Compensated Absences - Compensated absences will be paid from the fund which the employees' salaries are paid which, for the Center, is primarily the general fund.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability/Asset***

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

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

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, 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. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2023, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2024.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the Center is required to contribute 14.00% 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 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Center's contractually required contribution to SERS was \$534,162 for fiscal year 2024. Of this amount, \$10,495 is reported as intergovernmental payable.

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

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% 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 and after termination of employment.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2024 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2024, the full employer contribution was allocated to pension.

The Center's contractually required contribution to STRS was \$1,030,692 for fiscal year 2024. Of this amount, \$98,689 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.11348190%	0.06165682%	
Proportion of the net pension liability current measurement date	<u>0.10434030%</u>	<u>0.06137167%</u>	
Change in proportionate share	<u>-0.00914160%</u>	<u>-0.00028515%</u>	
Proportionate share of the net pension liability	\$ 5,765,340	\$ 13,216,351	\$ 18,981,691
Pension expense	\$ 381,894	\$ (137,471)	\$ 244,423



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 247,807	481,842	729,649
Changes of assumptions	40,840	1,088,438	1,129,278
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	104,016	19,960	123,976
Contributions subsequent to the measurement date	<u>534,162</u>	<u>1,030,692</u>	<u>1,564,854</u>
Total deferred outflows of resources	<u>\$ 926,825</u>	<u>\$ 2,620,932</u>	<u>\$ 3,547,757</u>
	SERS	STRS	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience		\$ 29,326	\$ 29,326
Net difference between projected and actual earnings on pension plan investments	81,037	39,608	120,645
Changes of assumptions		819,280	819,280
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>358,105</u>	<u>999,666</u>	<u>1,357,771</u>
Total deferred inflows of resources	<u>\$ 439,142</u>	<u>\$ 1,887,880</u>	<u>\$ 2,327,022</u>

\$1,564,854 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2025	\$ 17,224	\$ (813,036)	\$ (795,812)
2026	(349,104)	(705,839)	(1,054,943)
2027	281,107	1,302,427	1,583,534
2028	<u>4,294</u>	<u>(81,192)</u>	<u>(76,898)</u>
Total	<u>\$ (46,479)</u>	<u>\$ (297,640)</u>	<u>\$ (344,119)</u>

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023 and June 30, 2022, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.00%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.00% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.00%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2023, mortality rates 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. Ohio Revised Code Section 3309.15 and the Board-adopted Investment Policy govern investment activity at SERS. 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

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

**Discount Rate** - Total pension liability was calculated using the discount rate of 7.00%. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14%. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return, 7.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90%.

**Sensitivity of the 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%, 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%), or one percentage point higher (8.00%) than the current rate.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net pension liability	\$ 8,509,346	\$ 5,765,340	\$ 3,454,036

***Actuarial Assumptions - STRS***

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

	June 30, 2023	June 30, 2022
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 8.50%
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2023 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

\* Final target weights reflected at October 1, 2022.

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

**Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table represents the net pension liability as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension 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:

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net pension liability	\$ 20,323,823	\$ 13,216,351	\$ 7,205,375

**Assumption and Benefit Changes Since the Prior Measurement Date** - The discount rate remained at 7.00% for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

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

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Health Care Plan Description - The 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. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2024, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the Center's surcharge obligation was \$56,247.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contractually required contribution to SERS was \$56,247 for fiscal year 2024 and is reported as intergovernmental payable.

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

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

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

***Net OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/asset was measured as of June 30, 2023, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability/asset was based on the Center's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB			
liability/asset prior measurement date	0.11464450%	0.06165682%	
Proportion of the net OPEB			
liability/asset current measurement date	<u>0.10529010%</u>	<u>0.06137167%</u>	
Change in proportionate share	<u>-0.00935440%</u>	<u>-0.00028515%</u>	
Proportionate share of the net			
OPEB liability	\$ 1,734,597	\$ -	\$ 1,734,597
Proportionate share of the net			
OPEB asset	\$ -	\$ (1,193,594)	\$ (1,193,594)
OPEB expense	\$ (350,016)	\$ (243,042)	\$ (593,058)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and			
actual experience	\$ 3,611	\$ 1,861	\$ 5,472
Net difference between projected and			
actual earnings on OPEB plan investments	13,444	2,131	15,575
Changes of assumptions	586,516	175,832	762,348
Difference between employer contributions			
and proportionate share of contributions/			
change in proportionate share	100,082	910	100,992
Contributions subsequent to the			
measurement date	<u>56,247</u>	<u>-</u>	<u>56,247</u>
Total deferred outflows of resources	<u>\$ 759,900</u>	<u>\$ 180,734</u>	<u>\$ 940,634</u>

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 894,596	\$ 182,054	\$ 1,076,650
Changes of assumptions	492,645	787,517	1,280,162
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>570,071</u>	<u>146,456</u>	<u>716,527</u>
Total deferred inflows of resources	<u>\$ 1,957,312</u>	<u>\$ 1,116,027</u>	<u>\$ 3,073,339</u>

\$56,247 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2025	\$ (411,251)	\$ (475,870)	\$ (887,121)
2026	(357,804)	(177,478)	(535,282)
2027	(224,321)	(64,148)	(288,469)
2028	(117,761)	(83,592)	(201,353)
2029	(67,239)	(76,089)	(143,328)
Thereafter	<u>(75,283)</u>	<u>(58,116)</u>	<u>(133,399)</u>
Total	<u>\$ (1,253,659)</u>	<u>\$ (935,293)</u>	<u>\$ (2,188,952)</u>

***Actuarial Assumptions - SERS***

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

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.



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023 and June 30, 2022 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	2.40%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	3.86%
Prior measurement date	3.69%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	4.27%
Prior measurement date	4.08%
Medical trend assumption:	
Current measurement date	6.75 to 4.40%
Prior measurement date	7.00 to 4.40%

In 2023, the following mortality assumptions were used:

**Healthy Retirees** - 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% for males and set forward 2 years and adjusted 81.35% for females.

**Disabled Retirees** - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.

**Contingent Survivors** - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.

**Actives** - PUB-2010 General Amount Weighted Below Median Employee mortality table.

**Mortality Projection** - Mortality rates are projected using a fully generational projection with Scale MP-2020.

In the prior measurement date, mortality rates 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

The long-term expected rate of return is reviewed as part of the regular experience studies prepared every five years for SERS. The most recent five-year experience study was performed for the period covering fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27%. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08%. 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% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022 and the June 30, 2023 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86% at June 30, 2023 and 3.69% at June 30, 2022.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Sensitivity of the 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, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
Center's proportionate share of the net OPEB liability	\$ 2,217,311	\$ 1,734,597	\$ 1,353,957

  

	1% Decrease	Current Trend Rate	1% Increase
Center's proportionate share of the net OPEB liability	\$ 1,274,348	\$ 1,734,597	\$ 2,344,488

***Actuarial Assumptions - STRS***

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

	June 30, 2023		June 30, 2022	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		Varies by service from 2.50% to 8.50%	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	4.14%	7.50%	3.94%
Medicare	-10.94%	4.14%	-68.78%	3.94%
Prescription Drug				
Pre-Medicare	-11.95%	4.14%	9.00%	3.94%
Medicare	1.33%	4.14%	-5.47%	3.94%

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

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For the June 30, 2023 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

***Assumption Changes Since the Prior Measurement Date*** - The discount rate remained unchanged at 7.00% for the June 30, 2023 valuation.

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

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

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

\* Final target weights reflected at October 1, 2022.

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

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care 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, 2023.

**Sensitivity of the Center's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Center's proportionate share of the net OPEB asset	\$ 1,010,221	\$ 1,193,594	\$ 1,353,293
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Center's proportionate share of the net OPEB asset	\$ 1,360,703	\$ 1,193,594	\$ 992,314

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

The Lake Geauga Computer Association is a jointly governed organization consisting of 19 school districts in Lake, Geauga, Medina and Cuyahoga Counties. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee consists of the member elected superintendents and Treasurers from participating school districts. The degree of control exercised by any participating school Center is limited to its voting rights as a general member of the network. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designation management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained from Lake Geauga Computer Association, 8221 Auburn Road, Concord Township, OH 44077.

The Ohio Schools Council Association (Council) is a jointly governed organization among 199 school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school Center is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Secretary of the Ohio Schools Council at 6393 Oak Tree Boulevard, Independence, OH 44131.

**NOTE 13 - CLAIMS SERVICING POOL**

Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program - The Center participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a three-member Board of Directors elected from the HCBP's assembly.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 14 - INSURANCE PURCHASING POOL**

The Center participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance rating pool. The intent of the GRRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts and centers is calculated as one experience and a common premium rate is applied to all school districts and centers in the GRRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRRP. Participation in the GRRP is limited to school districts and centers that can meet the GRRP's selection criteria.

**NOTE 15 - REVENUES**

The ESC of the Western Reserve is funded by the State Board of Education from State funds in the amount of \$32.50 times the average daily membership of the Service Center. Average daily membership includes the total student counts of all local school districts within the Service Center's territory and all the Service Center's client school districts.

Due to provisions in the State budget bill, the per pupil funding in the permanent section of law did not apply to fiscal years 2014, 2015 and 2016. Instead, the ESC received a percentage of the funding they received in previous years. The ESC received 76 percent of the state subsidy per pupil amount.

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

The Lake County School Financing District's source of revenue is derived from property taxes and related state reimbursements. The taxes go to the Lake County School Financing District and are then allocated and sent to the applicable school districts.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The Center receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Center at June 30, 2024.

**B. Litigation**

The Center is not party to legal proceedings which, in the opinion of Center management, will have a material effect, if any, on the financial condition of the Center.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 16 - CONTINGENCIES - (Continued)**

**C. Foundation Funding**

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Educational service centers must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula Ohio Department of Education and Workforce (ODEW) is legislatively required to follow will continue to adjust as enrollment information is updated by the Center, which can extend past the fiscal year-end. As of the date of this report, ODEW has finalized the impact of enrollment adjustments to the June 30, 2024.

## REQUIRED SUPPLEMENTARY INFORMATION



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
LAKE COUNTY SCHOOL FINANCING DISTRICT FUND  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Over (Under) Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and other taxes	\$ 5,146,322	\$ 5,524,784	\$ 5,524,784	\$ -
Intergovernmental	505,871	541,466	541,466	-
Total revenues	<u>5,652,193</u>	<u>6,066,250</u>	<u>6,066,250</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Support services:				
General administration	<u>5,652,193</u>	<u>6,066,250</u>	<u>6,066,250</u>	<u>-</u>
Net change in fund balance	-	-	-	-
<b>Fund balance at beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY AND  
CENTER PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS (a)

<b>Fiscal Year (b)</b>	<b>Center's Proportion of the Net Pension Liability</b>	<b>Center's Proportionate Share of the Net Pension Liability</b>	<b>Center's Covered Payroll</b>	<b>Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2024	0.10434030%	\$ 5,765,340	\$ 4,143,786	139.13%	76.06%
2023	0.11348190%	6,137,984	4,234,864	144.94%	75.82%
2022	0.10780250%	3,977,600	3,737,979	106.41%	82.86%
2021	0.11760230%	7,778,465	4,017,200	193.63%	68.55%
2020 (c)	0.13246550%	7,925,643	4,536,126	174.72%	70.85%
2019 (d)	0.13742500%	7,870,584	4,467,075	176.19%	71.36%

<b>Fiscal Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Center's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2024	\$ 534,162	\$ (534,162)	\$ -	\$ 3,815,443	14.00%
2023	580,130	(580,130)	-	4,143,786	14.00%
2022	592,881	(592,881)	-	4,234,864	14.00%
2021	523,317	(523,317)	-	3,737,979	14.00%
2020 (c)	562,408	(562,408)	-	4,017,200	14.00%
2019 (d)	612,377	(612,377)	-	4,536,126	13.50%

(a) The schedule is intended to show information for the past 10 years; additional years' information will be displayed as it becomes available. Information prior to 2019 is not available.

(b) Amounts presented for each fiscal year were determined as of the Center's measurement date which is the prior year-end.

(c) For the six months ended June 30, 2020.

(d) Fiscal year 2019 for Geauga County ESC and Lake County ESC.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY AND  
CENTER PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS (a)

<b>Fiscal Year (b)</b>	<b>Center's Proportion of the Net Pension Liability</b>	<b>Center's Proportionate Share of the Net Pension Liability</b>	<b>Center's Covered Payroll</b>	<b>Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2024	0.06137167%	\$ 13,216,351	\$ 8,731,236	151.37%	80.02%
2023	0.06165682%	13,706,389	8,150,221	168.17%	78.88%
2022	0.06145666%	7,857,786	7,064,879	111.22%	87.78%
2021	0.06745142%	16,320,844	7,567,329	215.68%	75.48%
2020 (c)	0.07805754%	17,261,956	9,026,500	191.24%	77.40%
2019 (d)	0.09242855%	20,322,963	10,249,364	198.29%	77.31%

<b>Fiscal Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Center's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2024	\$ 1,030,692	\$ (1,030,692)	\$ -	\$ 7,362,086	14.00%
2023	1,222,373	(1,222,373)	-	8,731,236	14.00%
2022	1,141,031	(1,141,031)	-	8,150,221	14.00%
2021	989,083	(989,083)	-	7,064,879	14.00%
2020 (c)	1,059,426	(1,059,426)	-	7,567,329	14.00%
2019 (d)	1,263,710	(1,263,710)	-	9,026,500	14.00%

(a) The schedule is intended to show information for the past 10 years; the additional years' information will be displayed as it becomes available. Information prior to 2019 is not available.

(b) Amounts presented for each fiscal year were determined as of the measurement date which is the prior year-end.

(c) For the six months ended June 30, 2020.

(d) Fiscal year 2019 for Geauga County ESC and Lake County ESC.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY AND  
CENTER OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS (a)

<b>Fiscal Year (b)</b>	<b>Center's Proportion of the Net OPEB Liability</b>	<b>Center's Proportionate Share of the Net OPEB Liability</b>	<b>Center's Covered Payroll</b>	<b>Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2024	0.10529010%	\$ 1,734,597	\$ 4,143,786	41.86%	30.02%
2023	0.11464450%	1,609,621	4,234,864	38.01%	30.34%
2022	0.10992730%	2,080,464	3,737,979	55.66%	24.08%
2021	0.11993140%	2,606,502	4,017,200	64.88%	18.17%
2020 (c)	0.13347040%	3,356,500	4,536,126	73.99%	15.57%
2019 (d)	0.13850100%	3,842,392	4,467,075	86.02%	13.57%

<b>Fiscal Year</b>	<b>Contractually Required Contributions (e)</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Center's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2024	\$ 56,247	\$ (56,247)	\$ -	\$ 3,815,443	1.00%
2023	65,767	(65,767)	-	4,143,786	1.59%
2022	67,751	(67,751)	-	4,234,864	1.60%
2021	64,934	(64,934)	-	3,737,979	1.74%
2020 (c)	67,094	(67,094)	-	4,017,200	1.67%
2019 (d)	92,288	(92,288)	-	4,536,126	2.03%

(a) The schedule is intended to show information for the past 10 years; additional years' information will be displayed as it becomes available. Information prior to 2019 is not available.

(b) Amounts presented for each fiscal year were determined as of the measurement date which is the prior year-end.

(c) For the six months ended June 30, 2020.

(d) Fiscal year 2019 for Geauga County ESC and Lake County ESC.

(e) Includes surcharge.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/(ASSET) AND  
CENTER OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS (a)

<b>Fiscal Year (b)</b>	<b>Center's Proportion of the Net OPEB Liability/(Asset)</b>	<b>Center's Proportionate Share of the Net OPEB Liability/(Asset)</b>	<b>Center's Covered Payroll</b>	<b>Center's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)</b>
2024	0.06137167%	\$ (1,193,594)	\$ 8,731,236	13.67%	168.52%
2023	0.06165682%	(1,596,500)	8,150,221	19.59%	230.73%
2022	0.06145666%	(1,295,763)	7,064,879	18.34%	174.73%
2021	0.06745142%	(1,185,458)	7,567,329	15.67%	182.10%
2020 (c)	0.07805754%	(1,292,820)	9,026,500	14.32%	174.74%
2019 (d)	0.09248550%	(1,485,232)	10,249,364	14.49%	176.00%

<b>Fiscal Year</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Center's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2024	\$ -	\$ -	\$ -	\$ 7,362,086	0.00%
2023	-	-	-	8,731,236	0.00%
2022	-	-	-	8,150,221	0.00%
2021	-	-	-	7,064,879	0.00%
2020 (c)	-	-	-	7,567,329	0.00%
2019 (d)	-	-	-	9,026,500	0.00%

(a) The schedule is intended to show information for the past 10 years; additional years' information will be displayed as it becomes

(b) Amounts presented for each fiscal year were determined as of the measurement date which is the prior year-end.

(c) For the six months ended June 30, 2020.

(d) Fiscal year 2019 for Geauga County ESC and Lake County ESC.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 1 - BUDGETARY PROCESS**

The Educational Service Center of the Western Reserve (the “Center”), with the passing of House Bill 95, is not required to certify a budget to the State Department of Education.

The budgetary process described below applies specifically to the Center and is not applicable to the Lake County School Financing District Fund (a major special revenue fund of the Center).

The Center has an annual appropriation for its funds and the Treasurer uses it to set annual limits on expenditures plus encumbrances at the fund level. The appropriation is subject to changes throughout the year with the restriction that appropriations may not exceed resources by fund. The budget is employed as a management control device during the year for all funds.

The budget process described below applies to the Lake County School Financing District Fund.

Based on the requirements of Chapter 5705, Revised Code, the budgetary process described below applies specifically to the Lake County School Financing District as a major special revenue fund and is not applicable to the Center.

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by January 20 of each year, for the period July 1 to June 30 fiscal year.

The county budget commission certifies its actions to the Center by March 1. As part of this certification, the Center receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the Center must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as approved by the Board and the total expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the appropriations within a fund must be approved by the Board of Education. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. The Board legally enacted all supplemental appropriations during the fiscal year.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 1 - BUDGETARY PROCESS - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis is as follows:

	<b>Net Change in Fund Balance</b>
	Lake County School Financing District
Budget basis	\$ -
Net adjustment for revenue accruals	27,163
GAAP Basis	<u>\$ 27,163</u>

**NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**PENSION**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.
- There were no changes in benefit terms from the amounts reported for fiscal year 2024.

*Change in assumptions:*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2024.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2024.

*Changes in assumptions:*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2024.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Change in benefit terms:*

- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.
- There were no changes in benefit terms from the amounts reported for fiscal year 2024.

*Change in assumptions:*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

**NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.
- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.
- For fiscal year 2024, the following changes of assumptions affect the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 3.69% to 3.86%, (b) single equivalent interest rate when from 4.08% to 4.27% and (c) medical trend assumptions went from 7.00% to 4.40% to 6.75% to 4.40%.

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

*Change in benefit terms:*

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. 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 CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2024.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**NOTE 2 - PENSIONS & OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

*Change in assumptions:*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.
- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.
- For fiscal year 2024, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) health care cost trend rates were changed to the following: Pre-Medicare from 7.50% initial - 3.94% ultimate to 7.50% initial - 4.14% ultimate; medical Medicare from -68.78% initial - 3.94% ultimate to -10.94% initial - 4.14% ultimate; prescription drug Pre-Medicare from 9.00% initial - 3.94% ultimate to -11.95% initial - 4.14% ultimate; Medicare from -5.47% initial - 3.94% ultimate to 1.33% initial - 4.14% ultimate.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Expenditures
<b><u>U.S. Department of Education</u></b>		
<i>Passed through Ohio Department of Education</i>		
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	\$ 1,091,457
Special Education - Grants to States - Restoration	84.027	42,080
Special Education - Grants to States - Early Literacy SSIP (IDEA)	84.027	97,636
Special Education - Grants to States - Parent Mentor Project	84.027	27,004
Special Education - Preschool Grants	84.173	171,500
Special Education - Preschool Grants - Early Literacy SSIP (ELSR)	84.173	30,426
Total Special Education Cluster		<u>1,460,103</u>
 Title I - Grants to Local Educational Agencies	 84.010	 <u>32,281</u>
 Special Education - State Personnel Development - (SPDG) Program	 84.323	 <u>13,805</u>
 English Language Acquisition State Grants	 84.365	 <u>2,243</u>
 Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	 84.367	 <u>3,830</u>
 Education Stabilization Fund -		
GEER - Governors Emergency Education Relief Fund	84.425C	45,800
ARP ESSER - Extended Learning and Recovery	84.425U	1,539,983
Support Structured Literacy	84.425U	65,427
Family and Community Partner Liaisons	84.425U	119,919
Ohio Personalized Learning Network (ESC Support)	84.425U	160,849
Future Forward 22-24	84.425U	119,075
Total ALN #84.425		<u>2,051,053</u>
Total Passed through Ohio Department of Education		<u>3,563,315</u>
 <i>Direct Award</i>		
Rural Education	84.358	8,167
<b>Total U.S. Department of Education</b>		<u>3,571,482</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
<i>Passed through Ohio Department of Health and Human Services</i>		
Drug-Free Communities Support Program Grants	93.276	184,440
 Teenage Pregnancy Prevention Program	 93.297	 <u>46,230</u>
 Block Grants for Prevention and Treatment of Substance Abuse -		
Community Prevention Grant (SAPT)	93.959	4,510
Regional Collaborative (RLC)	93.959	17,648
COVID-19 - ARPA Community Impact Grant	93.959	75,904
Total ALN #93.959		<u>98,062</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>328,732</u>
<b><u>U.S. Department of the Treasury</u></b>		
<i>Passed through Ohio Facilities Construction Commission</i>		
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	189,175
<b>Total U.S. Department of the Treasury</b>		<u>189,175</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 4,089,389</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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**NOTE 1: BASIS OF PRESENTATION**

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

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

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

**NOTE 3: INDIRECT COST RATE**

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Educational Service Center of the Western Reserve  
Lake County  
8221 Auburn Road  
Concord Township, Ohio 44077

To the Members of the Governing Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of the Western Reserve, Lake County, Ohio, (the Center) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated December 18, 2024.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 have not been 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of This Report**

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



Zupka & Associates  
Certified Public Accountants

December 18, 2024

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

Educational Service Center of the Western Reserve  
Lake County  
8221 Auburn Road  
Concord Township, Ohio 44077

To the Members of the Governing Board:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Educational Service Center of the Western Reserve, Lake County, Ohio's (the Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2024. The Center's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Educational Service Center of the Western Reserve complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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



### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in cursive script that reads "Zupka & Associates".

Zupka & Associates  
Certified Public Accountants

December 18, 2024

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2024(i)	Type of Financial Statement Opinion	Unmodified
2024(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2024(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2024(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2024(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2024(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2024(v)	Type of Major Programs' Compliance Opinions	Unmodified
2024(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2024(vii)	Major Programs (list):  Education Stabilization Fund - GEER - Governor's Emergency Education Relief Fund - ALN #84.425C ARP ESSER - Extended Learning and Recovery - ALN #84.425U Support Structured Literacy - ALN #84.425U Family and Community Partner Liaisons - ALN #84.425U Ohio Personalized Learning Network (ESC Support) - ALN #84.425U Future Forward 22-24 - ALN #84.425U	
2024(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others less than \$750,000
2024(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE  
LAKE COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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The prior issued audit report, as of June 30, 2023, contained no audit findings.

# OHIO AUDITOR OF STATE KEITH FABER



**EDUCATIONAL SERVICE CENTER OF THE WESTERN RESERVE**

**LAKE COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/20/2025**

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

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