



OHIO AUDITOR OF STATE
KEITH FABER



**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY
FOR FISCAL YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Spencerville Local School District
Allen County
600 School Street
Spencerville, Ohio 45887

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which resulted in the restatement of fund balances / net position as of June 30, 2020. We did not modify our opinion regarding this matter.

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents 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 financial statements.

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 26, 2022

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Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

The discussion and analysis of the Spencerville Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- ❑ Net position increased \$1,276,103, which represents a 14 percent increase from fiscal year 2020 as restated (See Note 2).
- ❑ Outstanding debt decreased from \$4,579,151 to \$3,951,000.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Spencerville Local School District as a whole, 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 School District. 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 School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2021, the General fund is the School District's most significant fund.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The statement of net position and the statement of activities answer this question.

These two statements report the School District's *net position* and *changes in the net position*. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General fund.

Governmental Funds - All of the School District'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 the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to 2020.

(Table 1)
Net Position – Cash Basis

	Governmental Activities		
	2021	Restated 2020	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 10,331,740	\$ 9,056,533	\$1,275,207
Cash and Cash Equivalents in Segregated Accounts	97,633	96,737	896
<i>Total Assets</i>	<u>\$ 10,429,373</u>	<u>\$ 9,153,270</u>	<u>\$1,276,103</u>
Net Position			
Restricted for:			
Capital Outlay	\$ 536,910	\$ 471,926	\$ 64,984
Debt Service	453,539	430,427	23,112
Other Purposes	732,443	581,443	151,000
Permanent Funds			
Expendable	4,078	3,182	896
Nonexpendable	93,555	93,555	-
Unrestricted	<u>8,608,848</u>	<u>7,572,737</u>	<u>1,036,111</u>
<i>Total Net Position</i>	<u>\$ 10,429,373</u>	<u>\$ 9,153,270</u>	<u>\$1,276,103</u>

The net position of the governmental activities increasing is the result of multiple factors. Total governmental receipts increased from the prior year. Operating grants, contributions and interest increased mainly as a result of increased state foundation revenue, state funding for student wellness and success, and Elementary and Secondary School Emergency Relief funding. Due to the COVID-19 pandemic, capital outlay disbursements were limited to only necessary expenditures and decreased significantly. In order to understand what makes up the changes in net position for the current year, more information is given after Table 2.

A portion of the School District's net position represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position may be used to meet the School District's ongoing obligations.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2021 as compared to fiscal year 2020. The comparative column was not restated for the implementation of GASB 84.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities		
	2021	2020	Change
Receipts			
Program Receipts			
Charges for Services and Sales	\$ 1,045,353	\$ 1,058,742	\$ (13,389)
Operating Grants, Contributions and Interest	1,771,964	1,277,394	494,570
Capital Grants and Contributions	4,684	9,092	(4,408)
<i>Total Program Receipts</i>	<u>2,822,001</u>	<u>2,345,228</u>	<u>476,773</u>
General Receipts			
Property Taxes	3,116,827	3,036,508	80,319
Income Taxes	1,176,950	1,221,818	(44,868)
Grants and Entitlements not Restricted to			
Specific Programs	6,040,121	5,915,914	124,207
Proceeds from Sale of Assets	211	1,820	(1,609)
Refunding Bonds Issued	3,725,000	-	3,725,000
Premium on Debt Issuance	431,914	-	431,914
Investment Earnings	98,882	168,314	(69,432)
Miscellaneous	170,876	37,156	133,720
<i>Total General Receipts</i>	<u>14,760,781</u>	<u>10,381,530</u>	<u>4,379,251</u>
<i>Total Receipts</i>	<u>17,582,782</u>	<u>12,726,758</u>	<u>4,856,024</u>
Program Disbursements			
Instruction:			
Regular	4,500,326	4,580,484	(80,158)
Special	1,568,216	1,630,748	(62,532)
Vocational	178,892	167,542	11,350
Other	440,565	393,393	47,172
Support Services:			
Pupils	758,740	704,434	54,306
Instructional Staff	366,930	461,642	(94,712)
Board of Education	44,975	53,784	(8,809)
Administration	927,764	968,822	(41,058)
Fiscal	318,261	312,914	5,347
Business	55	300	(245)
Operation and Maintenance of Plant	979,076	1,106,704	(127,628)
Pupil Transportation	595,849	556,722	39,127
Central	34,326	36,154	(1,828)
Operation of Non-Instructional Services:			
Food Service Operations	327,432	316,236	11,196
Community Services	12,089	19,151	(7,062)
Other	-	-	-
Extracurricular Activities	543,072	456,480	86,592
Capital Outlay	108,722	399,269	(290,547)
Debt Service:			
Principal Retirement	135,292	134,466	826
Interest and Fiscal Charges	406,531	339,849	66,682
Payment of Refunded Bond Escrow Agent	4,059,566	-	4,059,566
<i>Total Program Disbursements</i>	<u>16,306,679</u>	<u>12,639,094</u>	<u>3,667,585</u>
<i>Excess / (Deficiency) Before Special Item</i>	1,276,103	87,664	
<i>Change in Net Position</i>	1,276,103	87,664	1,188,439
<i>Net Position Beginning of Year</i>	9,153,270	8,900,515	252,755
<i>Restatement (See Note 2)</i>	-	165,091	(165,091)
<i>Net Position End of Year</i>	<u>\$ 10,429,373</u>	<u>\$ 9,153,270</u>	<u>\$ 1,276,103</u>

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2021	2020	2021	2020
Program Disbursements				
Instruction:				
Regular	\$ 4,500,326	\$ 4,580,484	\$ 3,641,932	\$ 3,828,447
Special	1,568,216	1,630,748	748,273	810,466
Vocational	178,892	167,542	145,442	143,113
Other	440,565	393,393	440,565	393,393
Support Services:				
Pupils	758,740	704,434	364,156	474,211
Instructional Staff	366,930	461,642	330,616	427,810
Board of Education	44,975	53,784	44,975	53,784
Administration	927,764	968,822	874,253	966,326
Fiscal	318,261	312,914	317,679	312,860
Business	55	300	55	300
Operation and Maintenance of Plant	979,076	1,106,704	951,259	1,078,644
Pupil Transportation	595,849	556,722	532,967	541,657
Central	34,326	36,154	34,326	36,154
Operation of Non-Instructional Services:				
Food Service Operations	327,432	316,236	(13,656)	18,959
Community Services	12,089	19,151	1,852	4,768
Extracurricular Activities	543,072	456,480	364,075	338,407
Capital Outlay	108,722	399,269	104,520	390,252
Debt Service:				
Principal Retirement	135,292	134,466	135,292	134,466
Interest and Fiscal Charges	406,531	339,849	406,531	339,849
Payment of Refunded Bond Escrow Agent	4,059,566	-	4,059,566	-
Total	\$ 16,306,679	\$ 12,639,094	\$ 13,484,678	\$ 10,293,866

The comparative columns were not restated for the implementation of GASB 84. Any differences are deemed immaterial for analysis purposes.

The dependence upon tax receipts and general receipt entitlements from the state for governmental activities is apparent. Program receipts only account for 17 percent of all governmental disbursements; the community is the largest area of support for the School District students.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's governmental funds reported a combined fund balance of \$10,429,373, which is higher than the prior year's restated balance of \$9,153,270.

The general fund's fund balance increased \$1,065,070 in 2021, primarily as a result of an increase in receipts combined with a decrease in expenditures, when compared to the prior year.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

Original Budget Compared to Final Budget During the course of fiscal year 2021, the School District made minor adjustments to its general fund budget for estimated disbursements and other financing uses.

Final Budget Compared to Actual Results For fiscal year 2021, there was a significant difference between final budgeted receipts and other financing sources and actual receipts and financing sources mainly due to an increase in state foundation funding. Due to regular instruction and support services disbursements being significantly less than budgeted, actual disbursements and other financing uses were less than final budgeted disbursements and other financing uses.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2021 and 2020.

(Table 4)
Outstanding Debt, at June 30

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

	Governmental Activities	
	2021	2020
2004 School Improvement Bonds	\$ -	\$ 258,151
2012 Various Purpose Refunding Bonds	-	4,055,000
2017 School Energy Conservation Bonds	231,000	266,000
2020 Various Purpose Refunding Bonds	3,720,000	-
<i>Total</i>	\$ 3,951,000	\$ 4,579,151

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

Current Issues

During fiscal year 2021 the district found itself is in the midst of one of the state and country's worst economic downturns in its history due to the COVID-19 Global Pandemic. The pandemic is expected to continue to impact operation and finances into the 2021-2022 school year and cause many changes to how education and services are delivered by the district. The School District is working with multiple agencies and other districts in an attempt to keep our students and staff safe, while offering a quality educational program which may be a blended scenario of in person and online learning.

Finances are also being affected by the COVID-19 Pandemic. Real estate tax receipts increased slightly in FY21. The unique nature of property taxes in Ohio can create the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, School District's dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 21.5 percent of revenues for activities for the Spencerville Local School District in fiscal year 2021.

The School District can also be affected by delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. We were expecting the recent economic turn down due to COVID-19 to increase delinquencies somewhat and lower tax collections in fiscal year 2021. This didn't happen to the extent originally forecasted. Management has diligently planned expenses so that current levies have stretched for a period of time. This can be increasingly difficult with mandates in gifted education, reporting requirements, rising utility costs, increased special education services required for our students, increases in health insurance and other insurances, and historically decreasing enrollment.

The Spencerville Local School District experienced a decline in state revenue in fiscal year 2021 over FY19, but restored some cuts, so FY21 was better than FY20. The new state biennium budget which began July 1, 2021 changed funding for school districts and the School District is waiting on how those results will affect FY22. We are seeing a new state funding model that could prove to be a further challenge to our state funding which was 44.2 percent in fiscal year 2021, 35.6 percent of which is state foundation funding which is very significant to the School District.

The 5-year renewable 1 percent income tax was renewed on the November 2017 ballot for another five years (through December 31, 2022 collection). An Income Tax 5 Year Renewal issue will be futuristically seen on the November 2021 ballot, effective Jan. 1, 2023 thru Dec. 31, 2027. Historically, the passage of this tax has been positive. Fiscal year 2021 income tax revenue made up 10.4 percent of general fund revenues. This tax has been a healthy and diverse income for the School District since 1993, but has come under pressure with the recent COVID-19 economic downturn. This revenue did not fall as expected in fiscal year 2021. It appears to be back to FY19 levels. In non-recession times the income tax has potential for growth and eases the burden on the agricultural community.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)
(Continued)

The School District established a special revenue fund per ORC 5705.13 for Termination Benefits in a Board action during the regular April 2002 Board of Education meeting (Action#4-02-47). This fund is used for the payment of current and future severance pay. Transfers from the general fund are made periodically to keep the fund balance in tune with probable retirements of employees who become eligible for retirement either by age or service years for both certified and classified employees. Use of this fund therefore allows the School District to plan for the cost of retirements and designates those dollars as such. The current fund balance is reported as General/committed funds with the title of "Severance Payments."

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future. Continuous monitoring of staff numbers and needs to fulfill our fluctuating student numbers is challenging and will be studied carefully with adjustments as needed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Leland Hays, Treasurer of Spencerville Local School District, 600 School Street, Spencerville, OH 45887.

Spencerville Local School District
Allen County, Ohio
Statement of Net Position - Cash Basis
June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 10,331,740
Cash and Cash Equivalents in Segregated Accounts	97,633
<i>Total Assets</i>	<i>\$ 10,429,373</i>
Net Position	
Restricted for:	
Capital Outlay	\$ 536,910
Debt Service	453,539
Other Purposes	732,443
Permanent Funds	
Expendable	4,078
Nonexpendable	93,555
Unrestricted	8,608,848
<i>Total Net Position</i>	<i>\$ 10,429,373</i>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 4,500,326	\$ 803,151	\$ 55,243	\$ -	\$ (3,641,932)
Special	1,568,216	67,107	752,836	-	(748,273)
Vocational	178,892	-	33,450	-	(145,442)
Other	440,565	-	-	-	(440,565)
Support Services:					
Pupils	758,740	-	394,584	-	(364,156)
Instructional Staff	366,930	-	36,314	-	(330,616)
Board of Education	44,975	-	-	-	(44,975)
Administration	927,764	-	53,510	1	(874,253)
Fiscal	318,261	36	453	93	(317,679)
Business	55	-	-	-	(55)
Operation and Maintenance of Plant	979,076	32	27,397	388	(951,259)
Pupil Transportation	595,849	-	62,882	-	(532,967)
Central	34,326	-	-	-	(34,326)
Operation of Non-Instructional Services:					
Food Service Operations	327,432	25,405	315,683	-	13,656
Community Services	12,089	965	9,272	-	(1,852)
Extracurricular Activities	543,072	148,657	30,340	-	(364,075)
Capital Outlay	108,722	-	-	4,202	(104,520)
Debt Service:					
Principal Retirement	135,292	-	-	-	(135,292)
Interest and Fiscal Charges	406,531	-	-	-	(406,531)
Payment of Refunded Bond Escrow Agent	4,059,566	-	-	-	(4,059,566)
Totals	<u>\$ 16,306,679</u>	<u>\$ 1,045,353</u>	<u>\$ 1,771,964</u>	<u>\$ 4,684</u>	<u>(13,484,678)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	2,583,299
Debt Service	378,796
Capital Outlay	115,773
Building Maintenance	38,959
Income Taxes Levied for:	
General Purposes	1,176,950
Grants and Entitlements not Restricted to Specific Programs	6,040,121
Proceeds from Sale of Assets	211
Refunding Bonds Issued	3,725,000
Premium on Debt Issuance	431,914
Investment Earnings	98,882
Miscellaneous	170,876
<i>Total General Receipts</i>	<u>14,760,781</u>
<i>Change in Net Position</i>	1,276,103
<i>Net Position Beginning of Year (Restated, See Note 2)</i>	<u>9,153,270</u>
<i>Net Position End of Year</i>	<u>\$ 10,429,373</u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 8,668,175	\$ 1,663,565	\$ 10,331,740
Cash and Cash Equivalents in Segregated Accounts	-	97,633	97,633
<i>Total Assets</i>	<u>\$ 8,668,175</u>	<u>\$ 1,761,198</u>	<u>\$ 10,429,373</u>
Fund Balances			
Nonspendable	\$ -	\$ 93,555	\$ 93,555
Restricted	-	1,726,970	1,726,970
Committed	106,583	-	106,583
Assigned	652,383	-	652,383
Unassigned	7,909,209	(59,327)	7,849,882
<i>Total Fund Balances</i>	<u>\$ 8,668,175</u>	<u>\$ 1,761,198</u>	<u>\$ 10,429,373</u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 2,583,299	\$ 533,528	\$ 3,116,827
Income Taxes	1,176,950	-	1,176,950
Intergovernmental	6,408,275	1,357,790	7,766,065
Investment Income	93,388	12,440	105,828
Tuition and Fees	869,758	-	869,758
Extracurricular Activities	-	149,622	149,622
Gifts and Donations	4,197	39,561	43,758
Charges for Services	300	25,473	25,773
Rent	200	-	200
Miscellaneous	170,876	-	170,876
<i>Total Receipts</i>	<u>11,307,243</u>	<u>2,118,414</u>	<u>13,425,657</u>
Disbursements			
Current:			
Instruction:			
Regular	4,438,304	62,022	4,500,326
Special	1,221,297	346,919	1,568,216
Vocational	172,674	6,218	178,892
Other	440,565	-	440,565
Support Services:			
Pupils	477,263	281,477	758,740
Instructional Staff	330,284	36,646	366,930
Board of Education	44,975	-	44,975
Administration	868,413	59,351	927,764
Fiscal	306,771	11,490	318,261
Business	55	-	55
Operation and Maintenance of Plant	894,009	85,067	979,076
Pupil Transportation	553,502	42,347	595,849
Central	34,326	-	34,326
Extracurricular Activities	367,615	175,457	543,072
Operation of Non-Instructional Services:			
Food Service Operations	-	327,432	327,432
Community Services	-	12,089	12,089
Capital Outlay	-	108,722	108,722
Debt Service:			
Principal Retirement	35,000	100,292	135,292
Interest and Fiscal Charges	7,331	399,200	406,531
<i>Total Disbursements</i>	<u>10,192,384</u>	<u>2,054,729</u>	<u>12,247,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,114,859</u>	<u>63,685</u>	<u>1,178,544</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Assets	211	-	211
Refunding Bonds Issued	-	3,725,000	3,725,000
Premium on Debt Issuance	-	431,914	431,914
Payment of Refunded Bond Escrow Agent	-	(4,059,566)	(4,059,566)
Transfers In	-	50,000	50,000
Transfers Out	(50,000)	-	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,789)</u>	<u>147,348</u>	<u>97,559</u>
<i>Net Change in Fund Balances</i>	1,065,070	211,033	1,276,103
<i>Fund Balances Beginning of Year (Restated, See Note 2)</i>	<u>7,603,105</u>	<u>1,550,165</u>	<u>9,153,270</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,668,175</u>	<u>\$ 1,761,198</u>	<u>\$ 10,429,373</u>

Spencerville Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Property and Other Local Taxes	\$ 2,511,987	\$ 2,511,987	\$ 2,583,299	\$ 71,312
Income Taxes	1,160,674	1,160,674	1,176,950	16,276
Intergovernmental	5,844,249	5,844,249	6,408,275	564,026
Investment Income	115,000	115,000	91,792	(23,208)
Tuition and Fees	701,762	701,762	869,622	167,860
Gifts and Donations	1,300	1,300	127	(1,173)
Charges for Services	350	350	300	(50)
Rent	-	-	200	200
Miscellaneous	1,500	1,500	802	(698)
<i>Total Receipts</i>	10,336,822	10,336,822	11,131,367	794,545
Current:				
Instruction:				
Regular	4,881,877	4,855,533	4,581,156	274,377
Special	1,280,112	1,264,464	1,235,686	28,778
Vocational	168,062	185,701	183,830	1,871
Other	300,318	441,318	440,565	753
Support Services:				
Pupils	627,665	583,888	455,653	128,235
Instructional Staff	495,376	496,478	349,243	147,235
Board of Education	63,862	67,561	46,782	20,779
Administration	1,071,640	1,018,132	892,798	125,334
Fiscal	412,634	406,235	333,067	73,168
Business	429	429	55	374
Operation and Maintenance of Plant	1,195,981	1,185,681	1,030,809	154,872
Pupil Transportation	643,912	631,663	606,984	24,679
Central	42,907	45,068	34,957	10,111
Extracurricular Activities	399,444	401,471	371,216	30,255
Operation of Non-Instructional Services:				
Food Service Operations	5,309	5,310	-	5,310
Other	-	600	-	600
Debt Service:				
Principal Retirement	35,000	35,000	35,000	-
Interest and Fiscal Charges	7,331	7,331	7,331	-
<i>Total Disbursements</i>	11,631,859	11,631,863	10,605,132	1,026,731
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,295,037)	(1,295,041)	526,235	1,821,276
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	211	211
Refund of Prior Year Expenditures	3,000	3,000	170,074	167,074
Advances In	1,000	1,000	-	(1,000)
Advances Out	(1,000)	(1,000)	-	1,000
Transfers Out	(115,000)	(115,000)	(107,600)	7,400
<i>Total Other Financing Sources (Uses)</i>	(112,000)	(112,000)	62,685	174,685
<i>Net Change in Fund Balance</i>	(1,407,037)	(1,407,041)	588,920	1,995,961
<i>Fund Balance Beginning of Year</i>	7,214,891	7,214,891	7,214,891	-
Prior Year Encumbrances Appropriated	280,974	280,974	280,974	-
<i>Fund Balance End of Year</i>	\$ 6,088,828	\$ 6,088,824	\$ 8,084,785	\$ 1,995,961

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2021

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u> -</u></u>
Net Position	
Restricted for Individuals, Organizations and Other Governments	\$ <u><u> -</u></u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	Custodial
Additions	
Extracurricular Amounts Collected for Other Organizations	\$ 4,423
Deductions	
Extracurricular Amounts Distributed to Other Organizations	4,423
<i>Change in Net Position</i>	-
<i>Net Position Beginning of Year</i>	-
<i>Net Position End of Year</i>	\$ -

See accompanying notes to the basic financial statements.

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Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Spencerville Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services in Allen, Auglaize and Van Wert Counties as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Spencerville Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has the following component unit:

The Spencerville Education Foundation, Inc. (The "Foundation") is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government. The Spencerville Education Foundation fund is reported as a special revenue fund.

The Foundation was organized under the nonprofit corporation law of Ohio to operate exclusively for the benefit of the School District. The Foundation receives and administers donations for educational and public charitable purposes for which the School District was formed. The Foundation is governed by a nine member board of trustees. Two trustees shall at all times be members of the Board of Education, appointed by the Board of Education. One trustee shall at all times be the Superintendent of the School District, one trustee shall at all times be the Treasurer of the School District, and one trustee shall at all times be the Guidance Counselor of the School District. One trustee shall at all times be a representative selected by the Spencerville Chamber of Commerce and another selected by the Spencerville Parent-Teacher Organization. The remaining two Trustees shall be elected at the annual meeting of the Members.

The School District is associated with six jointly governed organizations and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center, the West Central Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Spencerville, Perry, and Bath Local Professional Development Committee, the Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Educational Purchasing Council LFP, the Allen County Schools Health Benefit Plan, and Sheakley Uniservice, Inc. Workers Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures and liabilities) are not recorded in the financial statements.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

The Statement of Net Position presents the cash and cash equivalent balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function.

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis of accounting or draws from the general receipts of the School District.

FUND FINANCIAL STATEMENTS

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The School District has one major fund, the General Fund. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

C. Fund Accounting

The School District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Funds/Governmental Activities

Governmental funds are those through which all governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources (except those accounted for in fiduciary funds) are accounted for through governmental funds. The School District's only major fund is the General Fund.

General Fund – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

Fiduciary Fund Types

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

The School District's fiduciary fund is a custodial fund. The custodial fund is used to account for Ohio High School Athletics Association tournament activity.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During fiscal year 2021, the appropriations were approved at the fund level.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

The Allen County Budget Commission has waived the requirement that school districts adopt and submit a tax budget. In lieu of the tax budget, school districts are required to submit the five-year forecast, the current bond estimated fund balance, and bond amortization schedules.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected receipt of each fund.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. The legal level of budgetary control selected by the Board is at the fund level. During fiscal year 2021, the appropriations were approved at the fund level.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund's appropriations must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements of governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for the remaining funds are maintained in this pool or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The Goodwin Scholarship fund is maintained separately from the School District's deposits. The carrying amount of the deposits is reported as "Cash and Cash Equivalents in Segregated Accounts."

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2021, the School District invested in STAR Ohio. 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 School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2021 were \$93,388, which included \$4,685 assigned from other School District funds.

F. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

G. Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying cash basis financial statements. Depreciation is not recorded on these capital assets.

I. Accumulated Leave

All leave will either be utilized by time off from work or, within certain limitations, be paid to employees. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

J. Long-Term Obligations

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements.

K. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2021, there was no net position restricted by enabling legislation.
2. Unrestricted net position – All other net position that does not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

1. Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
2. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
3. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
4. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
5. Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when a disbursement is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

L. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and state reimbursement type grants are recorded as receipts when the grant is received.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

M. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

N. Pensions and Other Postemployment Benefits (OPEB)

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

O. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2021, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61, and certain provisions of GASB Statement No. Statement No. 93, Replacement of Interbank Offered Rates.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the School District's financial statements (see below).

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

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P. Restatement of Net Position/Fund Balances

The implementation of GASB 84 had the following effect on net position as reported June 30, 2020:

	Governmental Activities
Net Position, June 30, 2020	\$ 8,988,179
GASB Statement No. 84	165,091
Restated Net Position, June 30, 2020	\$ 9,153,270

The implementation of GASB 84 had the following effect on fund balance as reported June 30, 2020:

	Other Governmental Funds
Fund Balance, June 30, 2020	\$ 1,385,074
GASB Statement No. 84	165,091
Restated Fund Balance, June 30, 2020	\$ 1,550,165

The implementation of GASB 84 had the following effect on fiduciary net position as reported June 30, 2020:

	Fiduciary Funds	
	Private Purpose Trust	Agency
		\$ 117,905
Net Position, June 30, 2020	\$ 117,905	\$ 47,186
GASB Statement No. 84	(117,905)	(47,186)
Restated Net Position, June 30, 2020	\$ -	\$ -

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities 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, Government National Mortgage Association, and Student Loan Marketing Association. All such securities must be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of securities described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that (i) investments in securities described in this division are made with a bank or savings and loan association eligible to be a depository for public funds of Ohio subdivisions, and (ii) such fund meets the requirements of Chapter 135 of the Revised Code (including the requirement that the fund not contain any investment in "derivatives");
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 135.14(E) of the Revised Code, with (i) a bank or savings and loan association eligible to be a depository of public funds of Ohio subdivisions, or (ii) NASD member;
8. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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(Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At year-end, \$448,836 of the School District’s bank balance of \$1,192,848 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the School District’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

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

Investments

As of June 30, 2021, the School District had the following investments and maturities:

Investment	Measurement Amount	Maturity (in months)		% Total Investments
		0 - 12	13-36	
NAV:				
STAR Ohio	\$ 5,436,135	\$ 5,436,135	\$ -	58.28%
Cost:				
Negotiable Certificates of Deposit	3,156,000	1,686,000	1,470,000	33.84%
Federal Home Loan Bank	245,000	-	245,000	2.63%
Federal Home Loan Mortgage Corporation	490,000	-	490,000	5.25%
Totals	<u>\$ 9,327,135</u>	<u>\$ 7,122,135</u>	<u>\$ 2,205,000</u>	<u>100.00%</u>

Spencerville Local School District
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(Continued)

Interest Rate Risk

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54 days and carries a rating of AAAM by S&P Global Ratings.

The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time.

NOTE 4 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Spencerville Local School District
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For the Fiscal Year Ended June 30, 2021
(Continued)

The School District receives property taxes from Allen, Auglaize and Van Wert Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second-Half Collections		2021 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 126,232,790	95.8%	\$ 120,819,590	91.2%
Public Utility	5,533,600	4.2%	11,659,080	8.8%
Total Assessed Value	\$ 131,766,390	100.0%	\$ 132,478,670	100.0%
Tax Rate per \$1,000 of Assessed Valuation	\$32.37		\$32.27	

NOTE 5 - INCOME TAXES

The School District renewed a tax levy of one percent for general operations on the income of residents and of estates. The renewed tax was effective on January 1, 2014, and will continue for five years. The income tax was renewed on November 2017 to continue through December 31, 2022. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 6 - DIESEL SCHOLARSHIP FUND

The Diesel Scholarship Fund was established on November 7, 1967 through a trust agreement. Qualified students borrow amounts, determined yearly, dependent on the ability of the fund to pay for the costs of higher education. Repayments begin after termination of college attendance. At the close of fiscal year 2021, there was one student with a total outstanding principal balance of \$1,000. The balance is expected to be collectable in full. The fund balance is reported with other governmental fund balances on the Statement of Assets and Fund Balances – Cash Basis.

NOTE 7 - RISK MANAGEMENT

A. Public Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of July 1, 2019, the School District contracted with BRIT Global Specialty Insurance Company (through the Southwestern Ohio Educational Purchasing Council) for property and contents insurance.

Property coverage amounted to \$60,503,809. The School District has a \$5,000 deductible and \$250,000 Self Insured Retention on this coverage. Flood and Earthquake coverage is included (\$25,000,000 for Earthquake and \$25,000,000 for Flood; \$2,500,000 Flood Zone A limit) by AXA XL Insurance.

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(Continued)

General liability is protected by BRIT Global Specialty Insurance Company, (through the Southwestern Ohio Educational Purchasing Council) with \$1,000,000 limit each occurrence and \$3,000,000 aggregate limit. There is no deductible on general coverage.

Vehicles are covered by BRIT Global Specialty Insurance Company (through the Southwestern Ohio Educational Purchasing Council) with a \$1,000 maintenance deductible. Automobile liability has a \$1,000,000 limit per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years. Replacement coverage option is included.

Directors and Officers with School Board Legal Liability and Employment Practices Liability Insurance for the School District is provided by QBE Specialty Insurance Company with a \$1,000,000 limit of liability. The School District carries a \$1,000,000 Employee Dishonesty Crime Bond on all employees except the Treasurer. This covers the Board of Education as well. Cyber liability coverage is through Underwriters at Lloyd's of London at \$1,000,000/\$5,000,000 aggregate with a \$15,000 deductible. Pollution Legal liability is carried through Ironshore Specialty Insurance Company (EPC Group) at \$1,000,000/\$5,000,000 aggregate.

The School District carries a \$4,000,000 Umbrella policy with BRIT Global Specialty Insurance Company that is in excess of the General Liability, Auto Liability, Sexual Abuse and Molestation, Employee Benefits and Directors and Officers liability policies.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Workers Compensation

For fiscal year 2021, the School District participated in the Sheakley Uniservice, Inc. Workers Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 16). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

The School District pays the State's Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. 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 share equally in the overall performance of the Plan.

Spencerville Local School District
Allen County, Ohio
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(Continued)

C. Employee Medical Benefits

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical, dental, vision, and life benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’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.

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(Continued)

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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 is 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 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School District’s contractually required contribution to SERS was \$204,888 for fiscal year 2021.

Spencerville Local School District
Allen County, Ohio
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For the Fiscal Year Ended June 30, 2021
(Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective in April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP 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 sixty or thirty years of service credit at any age.

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

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

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

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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 must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll effective July 1, 2016. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$675,648 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03784510%	0.03886182%	
Prior Measurement Date	0.03894800%	0.03887135%	
Change in Proportionate Share	-0.00110290%	-0.00000953%	
Proportionate Share of the Net Pension Liability	\$ 2,503,155	\$ 9,403,178	\$ 11,906,333

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 2130.

Spencerville Local School District
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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, 2020, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset 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 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

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(Continued)

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does 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 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District'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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 3,429,016	\$ 2,503,155	\$ 1,726,339

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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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:

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

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include 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 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. 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, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the County's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 13,388,488	\$ 9,403,178	\$ 6,025,959

NOTE 9 - DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

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Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District 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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$19,884.

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. Medicare Part B premium reimbursements were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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(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 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District'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:

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.03908700%	0.03886200%
Prior Measurement Date	0.03977100%	0.03887100%
Change in Proportionate Share	-0.00068400%	-0.00000900%
Proportionate Share of the Net		
OPEB Liability (Asset)	\$ 849,478	\$ (682,999)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

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(Continued)

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (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, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

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(Continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as 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 by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,039,753	\$ 849,478	\$ 698,229
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 668,908	\$ 849,478	\$ 1,090,971

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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For the Fiscal Year Ended June 30, 2021
(Continued)

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

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

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. 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. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

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(Continued)

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (594,254)	\$ (682,999)	\$ (758,296)

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (753,622)	\$ (682,999)	\$ (596,969)

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2021 were as follows:

	Outstanding 06/30/2020	Additions	Reductions	Outstanding 06/30/2021	Due Within One Year
2004 School Improvement Bonds					
Capital Appreciation	\$ 45,292	\$ -	\$ 45,292	\$ -	\$ -
Accretion on Capital Appreciation Bonds	212,859	11,849	224,708	-	-
2012 Various Purpose Refunding Bonds					
Serial and Term Bonds	4,055,000	-	4,055,000	-	-
2017 School Energy Conservation Bonds	266,000	-	35,000	231,000	36,000
2020 Various Purpose Refunding Bonds					
Serial and Term Bonds	-	3,725,000	5,000	3,720,000	300,000
Total Long-Term Obligations	\$ 4,579,151	\$ 3,736,849	\$ 4,365,000	\$ 3,951,000	\$ 336,000

2004 School Improvement Bonds – In June, 2004, the School District issued \$6,806,991 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$695,000, \$5,960,000, and \$151,991 respectively. In April, 2012 a portion of the bonds were defeased by the issuance of various purpose refunding bonds. The remaining bonds are being retired with a voted property tax levy from the debt service fund.

The Current Interest Bonds started maturing on December 2007. The Bonds are subject to mandatory sinking fund redemption starting on December 1, 2008, and on each December 1 thereafter, at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. Unless otherwise called for redemption, the remaining principal amount of the Bonds is to be paid at stated maturity. The Capital Appreciation Bonds will mature in fiscal years 2019 through 2021 and are not subject to redemption prior to maturity.

2012 Various Purpose Refunding Bonds - In April 2012, the School District issued \$4,523,907 in voted general obligation bonds for the purpose of refunding a portion of the 2004 School Improvement Bonds originally issued in the aggregate principal amount of \$6,806,991 for the purpose of constructing, improving, and making additions to school buildings and related site development. The refunding bond issue consists of \$4,440,000 in serial and term bonds, and \$83,907 in capital appreciation bonds. The serial and term bonds have interest rates ranging from 1.0 to 3.125 percent. The serial and term bonds mature annually beginning December 1, 2012 and ending December 1, 2031.

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(Continued)

Capital appreciation bonds in the amount of \$83,907 accreted interest at rates from 1.75 to 2.05 percent. The capital appreciation bonds matured December 1, 2015, 2016 and 2017 in the amounts of \$315,000, \$320,000 and \$320,000, respectively. The bonds were retired from the debt service fund. Capital appreciation bonds are not subject to redemption prior to maturity. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$4,735,000 of the 2004 bond issue. The advance refunding reduced cash flows required for debt service by \$567,239 over the next 20 years and resulted in an economic gain of \$437,063. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

2017 School Energy Conservation Bonds – During 2017, the School District issued \$370,000 in general obligation bonds for the purpose of energy improvements. The bonds have an interest rate of 2.95 percent and mature on December 1, 2026. The bonds are subject to optional redemption, at par value, anytime on or after December 1, 2024. The bonds will be retired from the energy cost savings in the general fund.

2020 Various Purpose Refunding Bonds – In September 2020, the School District issued \$3,725,000 in voted general obligation bonds for the purpose of refunding a portion of the 2012 Various Purpose Refunding Bonds originally issued in the aggregate principal amount of \$4,523,907 for the purpose of refunding the 2004 School Improvement Bonds issued for the purpose of constructing, improving, and making additions to school buildings and related site development. The refunding bond issue consists of \$3,725,000 in serial bonds. The bonds have interest rates ranging from 2.0 to 3.0 percent. The bonds mature annually beginning December 1, 2020 and ending December 1, 2031.

The refunding bond issue provided resources to purchase US Government securities that were placed in trust with an escrow agent for the purpose of future debt service payments of \$4,005,000 of the 2012 bond issue. The advance refunding reduced cash flows required for debt service by \$347,092 over the next 11 years and resulted in an economic gain of \$322,664. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

Payment requirements to retire the bonds at June 30, 2021 are as follows:

Fiscal Year Ending June 30,	2017 Issue	2020 Issue				Total
	School Energy Conservation	Term and Serial	2017 Interest	2020 Interest	Total Interest	
2022	\$ 36,000	\$ 300,000	\$ 6,284	\$ 105,600	\$ 111,884	\$ 447,884
2023	37,000	300,000	5,207	98,100	103,307	440,307
2024	38,000	305,000	4,101	89,025	93,126	436,126
2025	39,000	315,000	2,965	79,725	82,690	436,690
2026	40,000	325,000	1,800	70,125	71,925	436,925
2027-2031	41,000	1,785,000	605	195,823	196,428	2,022,428
2032	-	390,000	-	5,850	5,850	395,850
Total	\$ 231,000	\$ 3,720,000	\$ 20,962	\$ 644,248	\$ 665,210	\$ 4,616,210

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NOTE 11 - OPERATING LEASES

The School District is obligated under an operating lease agreement for copiers for a period of 63 months beginning May 2021. The lease includes a maintenance agreement for \$618 per month. During fiscal year 2021, \$26,146 was paid on this lease.

The School District is obligated under a 63 month operating lease agreement that began July 2020 with Quadient Leasing for a postage meter. Total lease payments to Quadient Leasing during fiscal year 2021 were \$630.

The estimated future lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Copier</u> <u>Lease</u>	<u>Postage</u> <u>Meter</u>
2022	<u>\$ 32,940</u>	<u>\$ 840</u>

NOTE 12 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2021 are finalized and are immaterial.

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D. Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were \$478,178 in the general fund and \$56,690 in nonmajor governmental funds.

NOTE 13 - STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvement
Set Aside Reserve Balance June 30, 2020	\$ 0
Current Year Set Aside Requirement	180,450
Current Year Offsets	(199,648)
Total	\$ (19,198)
Balance Carried Forward to Fiscal Year 2022	\$ 0
Set Aside Reserve Balance June 30, 2021	\$ 0

Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in cash basis fund balance – budget and actual (budget basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

(b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Balance		General Fund
Cash basis	\$	1,065,070
Funds budgeted elsewhere **		657
Adjustment for encumbrances		(476,807)
Budget basis	\$	588,920

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting* certain funds that are legally budgeted in separate special revenue funds, are considered to be part of the General fund on a cash basis. This includes public school support and termination benefits.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative (NOACSC) - The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. The 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 school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Ben Thaxton, who serves as Director, at 4277 East Road, Elida, Ohio 45807.

Apollo Career Center - The Apollo Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Career Center, Maria Rellinger, Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

West Central Regional Professional Development Center (the Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and, in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

Northwestern Ohio Educational Research Council, Inc. (NOERC) - The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Gene Linton of the Northwestern Ohio Educational Research Council, Inc. (NOERC), 121 W. Main Street, Ashland, Ohio 44805.

Spencerville, Perry, and Bath Local Professional Development Committee (the Committee) - The Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each district, along with two administrators from the member districts chosen by the Superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the districts and used for the renewal of certificates and licenses. As of June 30, 2021 there was no financial information available for this committee.

Southwestern Ohio Educational Purchasing Council (SOEPC) – The SOEPC is a purchasing cooperative made up of 58 school districts in 34 counties (32 in Ohio and 2 in Kentucky). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. Six months prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2021, the School District paid \$57,001 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

NOTE 16 – GROUP INSURANCE PURCHASING POOLS

Allen County Schools Health Benefit Plan (the Plan) - The Allen County Schools Health Benefit Plan is a jointly governed organization among ten school districts and the Allen County Educational Service Center. The purpose of the jointly governed organization was to form a voluntary employee benefit association to provide medical, dental, vision, and life benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is currently provided by Medical Mutual of Ohio for medical and dental, Eyemed for Vision, and Dearborn Life for life Insurance.

The Plan is governed by an administrative committee consisting of the superintendent from each participating district. The degree of control exercised by any participating school district is limited to each representation on the committee. Financial information can be obtained from Karla Wireman, who serves as Treasurer, at 1920 Slabtown Road, Lima, Ohio 45801.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

Sheakley Uniservice, Inc. Workers Compensation Group Rating plan- The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Each year, participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council LFP (EPC-LFP) - The School District participates in the Southwestern Ohio Educational Purchasing Council LFP (Program), an insurance purchasing pool consisting of sixty school districts. The intent of the Program is to achieve the benefit of a reduced premium for the School District for its property and liability insurance by virtue of its grouping and representation with other participants in the Program. The Program's business and affairs are conducted by an Executive Council of eleven participation school administrators. Participation in the Program is by written application subject to acceptance by the Executive Council and the payment of an annual premium. The Administrator of the program is Arthur J. Gallagher Company which coordinates the management, administration, claims management, and actuarial studies of the Program. Insurance premiums are paid to the Purchasing Council. Financial information can be obtained from EPC-LFP, 303 Corporate Center Dr, Suite 208 Vandalia, OH 45377.

NOTE 17 – FUND BALANCE

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

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Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:			
Permanent Fund Principal	\$ -	\$ 93,555	\$ 93,555
Total Nonspendable	<u>-</u>	<u>93,555</u>	<u>93,555</u>
Restricted for:			
Capital Improvements	-	536,910	536,910
Debt Service	-	453,539	453,539
Maintenance	-	90,627	90,627
Food Service Operations	-	251,955	251,955
Instructional	-	250,852	250,852
Student Activities	-	117,517	117,517
Other Services	-	25,570	25,570
Total Restricted	<u>-</u>	<u>1,726,970</u>	<u>1,726,970</u>
Committed to:			
Severance Payments	83,627	-	83,627
Educational Supplies	22,956	-	22,956
Total Committed	<u>106,583</u>	<u>-</u>	<u>106,583</u>
Assigned for:			
Instruction	189,258	-	189,258
Support Services	282,564	-	282,564
Extracurricular	6,356	-	6,356
Subsequent Year Appropriations	174,205	-	174,205
Total Assigned	<u>652,383</u>	<u>-</u>	<u>652,383</u>
Unassigned	<u>7,909,209</u>	<u>(59,327)</u>	<u>7,849,882</u>
Total Fund Balance	<u>\$ 8,668,175</u>	<u>\$ 1,761,198</u>	<u>\$ 10,429,373</u>

NOTE 18 – INTERFUND TRANSACTIONS

During the fiscal year, the general fund transferred \$50,000 to the permanent improvement fund to provide additional resources for current operation. Interfund transfers between governmental funds are eliminated in the statement of activities.

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Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

NOTE 19 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at June 30, 2021 included the following individual fund deficits:

Non Major Special Revenue Funds:

Vocational Education	\$ 6,218
Elementary and Secondary School Emergency Relief	10,753
Coronavirus Relief	1,526
IDEA, Part B	20,582
Title I	15,616
Improving Teacher Quality	907
Miscellaneous Federal Grants	3,725
	<u>\$ 59,327</u>

B. Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2021, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 20 – COVID-19 PANDEMIC

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Spencerville Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2021
(Continued)

NOTE 21 – SUBSEQUENT EVENTS

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$131,489 in revenue and expenditures/expense related to these programs.

This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
School Breakfast Program	10.553	\$6,734
National School Lunch Program	10.555	28,710
Cash Assistance		
School Breakfast Program	10.553	30,381
COVID-19 School Breakfast Program	10.553	3,205
National School Lunch Program	10.555	255,457
COVID-19 National School Lunch Program	10.555	21,922
Total Child Nutrition Cluster		<u>346,409</u>
Total U.S. Department of Agriculture		<u>346,409</u>
U.S. DEPARTMENT OF TREASURY		
<i>Passed through Ohio Department of Education</i>		
COVID-19 Coronavirus Relief Fund	21.019	57,097
Total U.S. Department of Treasury		<u>57,097</u>
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
<i>Passed through State Library of Ohio</i>		
COVID-19 Library Services and Technology Act CARES Act	45.310	3,000
Total Institute of Museum and Library Services		<u>3,000</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed through Ohio Department of Education</i>		
Title I Grants to Local Education Agencies	84.010	155,618
Special Education Cluster		
Special Education Grants to States	84.027	184,261
Special Education Preschool Grants	84.173	5,529
Total Special Education Cluster		<u>189,790</u>
Support Effective Instruction State Grants	84.367	32,777
Student Support and Academic Enrichment Program	84.424	7,081
COVID-19 Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	109,372
Total U.S. Department of Education		<u>494,638</u>
Total Expenditures of Federal Awards		<u><u>\$901,144</u></u>

The accompanying notes are an integral part of this schedule.

**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Spencerville Local School District (the School District's) under programs of the federal government for the fiscal year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2021 to 2022 programs:

Title I - Grants to Local Educational Agencies	84.010	\$	15
Title IV-A Student Support and Enrichment	84.424	\$	91

OHIO AUDITOR OF STATE KEITH FABER



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

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

Spencerville Local School District
Allen County
600 School Street
Spencerville, Ohio 45887

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 26, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted that the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 26, 2022



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

Spencerville Local School District
Allen County
600 School Street
Spencerville, Ohio 45887

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Spencerville Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Spencerville Local School District's major federal programs for the fiscal year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Spencerville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 26, 2022

**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

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

FINDING NUMBER 2021-001

Noncompliance

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

FINDING NUMBER 2021-001
(Continued)

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

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

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

Officials' Response:

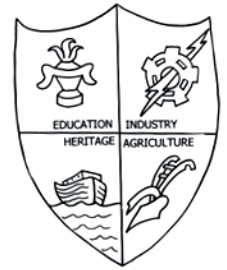
The Spencerville Board of Education passed Action #11-17-11. The action stated: It is the Boards' understanding that by reporting in the cash basis format and an issuing the school's financial statements in the format required by GASB 34, the audit will result in an unmodified opinion and probably will have a penalty for not reporting under GAAP. The District has been through issuance of bonds, credit rating reevaluations, refinance of bonds and the normal every-day school district business. Therefore it is noted that GAAP reporting is not a necessity for a successful completion of these intricate business transactions and therefore the time and cost of GAAP reporting is deemed too expensive.

3. FINDINGS FOR FEDERAL AWARDS

None

SPENCERVILLE SCHOOLS

Learning and Growing Together as One School, One Community, One Purpose



K-12 Building
2500 Wisher Drive
Spencerville, OH 45887

Administrative Office
600 School Street
Spencerville, OH 45887

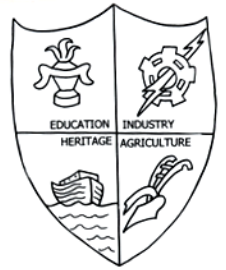
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) June 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – failure to file GAAP Financial Statements	Not Corrected	Not Corrected – Repeated as Finding 2021-001

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SPENCERVILLE SCHOOLS

Learning and Growing Together as One School, One Community, One Purpose



K-12 Building
2500 Wisher Drive
Spencerville, OH 45887

Administrative Office
600 School Street
Spencerville, OH 45887

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2021

Finding Number:	2021-001
Planned Corrective Action:	The expense of GAAP filing is higher than the penalty for non-compliance. Therefore the District has elected not to file GAAP as required by GASB 34.
Anticipated Completion Date:	N/A
Responsible Contact Person:	Leland Hays, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



SPENCERVILLE LOCAL SCHOOL DISTRICT

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/23/2022

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

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