



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2023**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
East Palestine City School District
200 West North Avenue
East Palestine, OH 44413

We have reviewed the *Independent Auditor's Report* of East Palestine City School District, Columbiana County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. East Palestine City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2024

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**EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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COLUMBIANA COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

East Palestine City School District
Columbiana County
200 West North Avenue
East Palestine, Ohio 44413

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **East Palestine City School District**, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Palestine City School District, Columbiana County, Ohio as of June 30, 2023, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2024, on our consideration of the 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 15, 2024

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

The discussion and analysis of East Palestine City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- In total, net position increased \$1,061,106 from fiscal year 2022, due to an increase in cash on hand from the new income tax levy and donations related to the train derailment. The effects of GASB 68 and 75 distort the comparative analysis to follow in this MD&A due to the significant change in total expenses on a full accrual basis.
- Capital assets decreased \$580,759, which represents a 4 percent change from the prior fiscal year.
- On a modified accrual basis, the general fund balance increased \$1,429,396, to \$1,511,076.
- On a modified accrual basis, the permanent improvement fund balance decreased \$146,028, or 22 percent.
- The District's total net pension liability increased to \$10,292,664 from \$6,100,162 and the OPEB liability decreased to \$545,701 from \$810,837, a combined net decrease of \$3,927,366. For more information on this liability see Notes 13 and 14 to the basic financial statements.

Using these Basic Financial Statements

This annual report consists of this management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand East Palestine City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the East Palestine City School District, the general fund and the permanent improvement capital projects fund are the most significant funds and are the only two funds reported as major.

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

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

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement capital projects fund.

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

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Table 1 shows net position for fiscal year 2023 as compared to fiscal year 2022.

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Net Position (Table 1)

	2023	2022	Change
Assets			
Current and Other Assets	\$8,585,126	\$6,352,044	\$2,233,082
Capital Assets, Net	14,763,137	15,343,896	(580,759)
<i>Total Assets</i>	<u>23,348,263</u>	<u>21,695,940</u>	<u>1,652,323</u>
Deferred Outflows of Resources			
Pension	2,637,922	2,467,373	170,549
OPEB	281,302	356,193	(74,891)
<i>Total Deferred Outflows of Resources</i>	<u>2,919,224</u>	<u>2,823,566</u>	<u>95,658</u>
Liabilities			
Current Liabilities	1,608,466	1,407,234	201,232
Long-Term Liabilities			
Due within One Year	117,767	91,658	26,109
Due in More than One Year:			
Net Pension Liability	10,292,664	6,100,162	4,192,502
Net OPEB Liability	545,701	810,837	(265,136)
Other Amounts	671,656	674,755	(3,099)
<i>Total Liabilities</i>	<u>13,236,254</u>	<u>9,084,646</u>	<u>4,151,608</u>
Deferred Inflows of Resources			
Property Taxes	3,275,519	2,856,382	419,137
Pension	1,374,860	5,415,867	(4,041,007)
OPEB	1,533,962	1,376,825	157,137
<i>Total Deferred Inflows of Resources</i>	<u>6,184,341</u>	<u>9,649,074</u>	<u>(3,464,733)</u>
Net Position			
Net Investment in Capital Assets	14,691,218	15,243,828	(552,610)
Restricted	1,004,695	1,000,746	3,949
Unrestricted (Deficit)	(8,849,021)	(10,458,788)	1,609,767
<i>Total Net Position</i>	<u>\$6,846,892</u>	<u>\$5,785,786</u>	<u>\$1,061,106</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$6,846,892. Unrestricted net position at the end of the current fiscal year was a negative \$8,849,021.

Table 2 shows the changes in net position for fiscal year 2023 and 2022:

Table 2			
Change in Net Position			
	2023	2022	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$739,533	\$690,974	\$48,559
Operating Grants and Contributions	3,159,102	2,421,565	737,537
<i>Total Program Revenues</i>	<u>3,898,635</u>	<u>3,112,539</u>	<u>786,096</u>
General Revenues			
Property Taxes	3,579,404	3,413,264	166,140
Income Tax	732,555	611,217	0
Grants and Entitlements Not Restricted	8,062,856	8,012,615	50,241
Investment Earnings	9,384	466	8,918
Miscellaneous	27,347	48,675	(21,328)
<i>Total General Revenues</i>	<u>12,411,546</u>	<u>12,086,237</u>	<u>203,971</u>
<i>Total Revenues</i>	<u>16,310,181</u>	<u>15,198,776</u>	<u>990,067</u>
Program Expenses			
Instruction	8,004,324	7,372,936	631,388
Support Services	5,792,305	4,721,685	1,070,620
Operation of Non-Instructional/Food Services	559,192	597,782	(38,590)
Extracurricular Activities	881,811	700,380	181,431
Interest and Fiscal Charges	11,443	13,374	(1,931)
<i>Total Program Expenses</i>	<u>15,249,075</u>	<u>13,406,157</u>	<u>1,211,530</u>
<i>Change in Net Position</i>	<u>1,061,106</u>	<u>1,792,619</u>	<u>(221,463)</u>
Net Position Beginning of Year	5,785,786	3,993,167	1,792,619
<i>Net Position End of Year</i>	<u>\$6,846,892</u>	<u>\$5,785,786</u>	<u>\$1,061,106</u>

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Governmental Activities

Unrestricted grants and entitlements increased due to a change in foundation receipts from the State.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 71 percent of total governmental revenue. Property taxes support 23 percent of total expenses while grants and entitlements supported 53 percent of total expenses. Between these two revenue items, 76 percent of total expenses were funded this year.

The largest expense of the District is for its instructional programs. Instructional expenses totaled \$8,004,324 or 52 percent, of total governmental expenses. The effects of GASB 68 and 75 distort this comparative analysis due to the significant impact changes made to cost of living adjustments enacted by the state pension board had on the District's share of the total pension/OPEB liability.

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 for fiscal year 2023 and 2022. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total and Net Cost of Program Services

	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$8,004,324	\$5,921,455	\$7,372,936	\$5,645,840
Support Services	5,792,305	4,788,227	4,721,685	4,361,283
Operation of Non-Instructional/Food Services	559,192	55,594	597,782	(185,194)
Extracurricular Activities	881,811	573,721	700,380	458,315
Interest and Fiscal Charges	11,443	11,443	13,374	13,374
<i>Total Expenditures</i>	<u>\$15,249,075</u>	<u>\$11,350,440</u>	<u>\$13,406,157</u>	<u>\$10,293,618</u>

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were completely funded by program revenues during the fiscal year. The increases in instruction and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better understanding of operations, please refer to the fund analysis on the next following pages.

The dependence upon general and income tax revenues and other general revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for East Palestine City School District students.

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$2,553,946 which is an increase from last year's total of \$1,150,454. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2023 and 2022.

	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Increase (Decrease)
General	\$1,511,076	\$81,680	\$1,429,396
Permanent Improvement	520,851	666,869	(146,018)
Other Governmental	522,019	401,905	120,114
Total	\$2,553,946	\$1,150,454	\$1,403,492

General Fund

During fiscal year 2023, the District's general fund balance increased on a modified accrual basis by \$1,429,396; total revenues within the general fund increased by 6.5 percent while expenditures also increased but only by 1.3 percent, resulting in the overall increase to fund balance. The following table assists in illustrating the financial activities and fund balance of the general fund.

	2023 Amount	2022 Amount	Percentage Change
Revenues			
Property Taxes	\$2,841,275	\$2,708,362	4.9 %
Income Taxes	731,724	589,762	24.1 %
Tuition and Fees	95,846	112,237	(14.6) %
Charges for Services	266,818	292,062	(8.6) %
Intergovernmental	7,958,835	7,913,621	0.6 %
Other revenues	603,339	123,799	387.4 %
Total	\$12,497,837	\$11,739,843	6.5 %
Expenditures			
Instruction	6,002,433	6,196,977	(3.1) %
Support services	4,661,271	4,397,347	6.0 %
Operation of non-instructional services	31,500	23,395	34.6 %
Extracurricular activities	293,658	234,068	25.5 %
Debt service	75,679	75,709	(0.0) %
Total	\$11,064,541	\$10,927,496	1.3 %

Permanent Improvement Fund

The District's permanent improvement capital projects fund had \$820,637 in revenues and \$966,665 in expenditures. The fund balance decreased \$146,028 from a balance of \$666,879 in fiscal year 2022, to a balance of \$520,851 in fiscal year 2023.

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

General Fund Budgeting Highlights

The 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.

During the course of fiscal year 2023 the District amended its general fund budget as needed. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenue, including other financing sources, was \$12,333,746, which was \$521,621 less than the final budgeted revenues of \$12,855,367.

Total actual expenditures, including other financing uses, were \$11,137,182 which was \$1,119,471 less than final appropriations of \$12,256,653. The variance with final appropriations was due to a conservative estimates approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the District had \$14,763,137 invested in capital assets. Table 4 shows fiscal year 2023 balances compared to fiscal year 2022:

Table 4
Capital Assets at June 30 (Net of Depreciation/Amortization)

	<u>2023</u>	<u>2022</u>
Land	\$490,814	\$490,814
Land Improvements	37,900	117,695
Buildings and Building Improvements	13,444,293	14,047,319
Furniture and Equipment	189,183	178,932
Vehicles	531,922	411,549
Intangible Right to Use Lease	<u>69,025</u>	<u>97,587</u>
<i>Total</i>	<u>\$14,763,137</u>	<u>\$15,343,896</u>

All capital assets, except land are reported net of depreciation/amortization. The District had an overall decrease in capital assets of \$580,759, attributable to current year depreciation/amortization of \$821,490 exceeding current year additions of \$240,731. For more information about the District's capital assets, see Note 10 to the basic financial statements.

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

Long-Term Obligations

At June 30, 2023, the District had \$281,840 in Energy Conservation Notes payable and \$71,919 in leases payable outstanding. \$37,000 and \$29,077, respectively, are due within one year. The following table summarizes the outstanding long-term obligations.

Table 5
Outstanding Long-Term Obligations at Year End

	2023	2022
House Bill 264 Energy Conservation Note	\$281,840	\$317,840
Leases	\$71,919	\$100,068
Compensated Absences	435,664	348,505
Net Pension Liability	10,292,664	6,100,162
Net OPEB Liability	545,701	810,837
<i>Total</i>	<u>\$11,627,788</u>	<u>\$7,677,412</u>

The District issued Energy Conservation Notes to upgrade various buildings throughout the District during fiscal year 2015. The notes mature December 1, 2029 and have an interest rate of 2.90 percent. See Notes 12 to the basic financial statements for additional details.

Current Issues

The East Palestine City School District continues to receive strong support from the residents of the District. The District property tax levy is at the 20 mill floor and anticipates staying there.

Real estate and personal property tax collections have shown small decreases. The unique nature of property taxes in Ohio creates 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 inflammatory increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00.

Thus school districts 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. More staff retirements have helped the bottom line since all were replaced with staff members having little or no experience.

The District has also been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. An increase in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance has been difficult to budget with stagnant income.

The East Palestine City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the East Palestine City School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

East Palestine City School District
Columbiana County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023
(Unaudited)

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

An income tax was passed in May of 2020, 5 year earned income tax beginning to be collected January 1, 2021. Collections will be slow for the first year but should eventually generate around \$626,643 annually.

With the passage of the new State funding formula and biennium budget the District will no longer be punished financially with open enrollment loss. Students will now be funded by where they attend school rather than where they live.

In addition, the District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Rick Ellis, Treasurer of East Palestine City School District, 200 W. North Avenue, East Palestine, Ohio 44413 or rick.ellis@EPSchools.k12.oh.us.

East Palestine City School District

Columbiana County, Ohio

*Statement of Net Position
June 30, 2023*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,036,991
Cash and Cash Equivalents:	
In Segregated Accounts	263,799
Accrued Interest Receivable	7,766
Accounts Receivable	200
Intergovernmental Receivable	239,236
Income Taxes Receivable	326,969
Property Taxes Receivable	3,750,737
Net OPEB Asset	959,428
Nondepreciable Capital Assets	490,814
Depreciable Capital Assets, Net	14,272,323
<i>Total Assets</i>	<u>23,348,263</u>
Deferred Outflows of Resources	
Pension	2,637,922
Other Postemployment Benefits	281,302
<i>Total Deferred Outflows of Resources</i>	<u>2,919,224</u>
Liabilities	
Accounts Payable	197,703
Accrued Wages and Benefits Payable	1,100,503
Intergovernmental Payable	272,036
Matured Compensated Absences Payable	37,543
Accrued Interest Payable	681
Long-Term Liabilities:	
Due Within One Year	117,767
Due In More Than One Year:	
Net Pension Liability	10,292,664
Other Postemployment Benefits Liability	545,701
Other Amounts Due in More than One Year	671,656
<i>Total Liabilities</i>	<u>13,236,254</u>
Deferred Inflows of Resources	
Property Taxes	3,275,519
Pension	1,374,860
Other Postemployment Benefits	1,533,962
<i>Total Deferred Inflows of Resources</i>	<u>6,184,341</u>
Net Position	
Net Investment in Capital Assets	14,691,218
Restricted for:	
Capital Projects	298,546
Other Purposes	706,149
Unrestricted (Deficit)	(8,849,021)
<i>Total Net Position</i>	<u>\$6,846,892</u>

See accompanying notes to the basic financial statements

East Palestine City School District

Columbiana County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$5,065,934	\$161,477	\$1,217,936	(\$3,686,521)
Special	2,928,780	79,619	623,139	(2,226,022)
Vocational	9,610	250	448	(8,912)
Support Services:				
Pupils	1,118,572	22,000	265,386	(831,186)
Instructional Staff	892,346	9,714	300,126	(582,506)
Board of Education	42,031	1,006	1,806	(39,219)
Administration	1,174,436	28,307	84,875	(1,061,254)
Fiscal	426,803	10,238	18,378	(398,187)
Business	33,052	108	194	(32,750)
Operation and Maintenance of Plant	1,131,721	70,955	64,275	(996,491)
Pupil Transportation	973,344	15,002	111,708	(846,634)
Operation of Non-Instructional Services	559,192	94,943	408,655	(55,594)
Extracurricular Activities	881,811	245,914	62,176	(573,721)
Interest and Fiscal Charges	11,443	0	0	(11,443)
<i>Total Governmental Activities</i>	<u>\$15,249,075</u>	<u>\$739,533</u>	<u>\$3,159,102</u>	<u>(11,350,440)</u>
General Revenues				
Property Taxes Levied for:				
				2,843,959
				720,699
				14,746
Income Taxes Levied for:				
				732,555
Grants and Entitlements not				
				8,062,856
				9,384
				27,347
				<u>12,411,546</u>
				Change in Net Position 1,061,106
				<i>Net Position Beginning of Year</i> 5,785,786
				<u><u>Net Position End of Year</u></u> <u>\$6,846,892</u>

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

Balance Sheet
Governmental Funds
June 30, 2023

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,986,894	\$460,610	\$589,487	\$3,036,991
Cash and Cash Equivalents:				
In Segregated Accounts	0	0	263,799	263,799
Accrued Interest Receivable	7,766	0	0	7,766
Accounts Receivable	0	0	200	200
Interfund Receivable	212,272	0	0	212,272
Intergovernmental Receivable	59,405	0	179,831	239,236
Income Taxes Receivable	326,969	0	0	326,969
Property Taxes Receivable	2,992,099	758,638	0	3,750,737
<i>Total Assets</i>	<u>\$5,585,405</u>	<u>\$1,219,248</u>	<u>\$1,033,317</u>	<u>\$7,837,970</u>
Liabilities				
Accounts Payable	\$82,503	\$7,379	\$107,821	\$197,703
Accrued Wages and Benefits Payable	913,298	0	187,205	1,100,503
Intergovernmental Payable	268,036	0	4,000	272,036
Matured Compensated Absences Payable	37,543	0	0	37,543
Interfund Payable	0	0	212,272	212,272
<i>Total Liabilities</i>	<u>1,301,380</u>	<u>7,379</u>	<u>511,298</u>	<u>1,820,057</u>
Deferred Inflows of Resources				
Property Taxes	2,613,439	662,080	0	3,275,519
Unavailable Revenue - Property Taxes	113,485	28,938	0	142,423
Unavailable Revenue - Income Taxes	46,025	0	0	46,025
<i>Total Deferred Inflows of Resources</i>	<u>2,772,949</u>	<u>691,018</u>	<u>0</u>	<u>3,463,967</u>
Fund Balances				
Restricted	0	520,851	743,944	1,264,795
Assigned	302,387	0	0	302,387
Unassigned (Deficit)	1,208,689	0	(221,925)	986,764
<i>Total Fund Balances</i>	<u>1,511,076</u>	<u>520,851</u>	<u>522,019</u>	<u>2,553,946</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,585,405</u>	<u>\$1,219,248</u>	<u>\$1,033,317</u>	<u>\$7,837,970</u>

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2023*

Total Governmental Fund Balances		\$2,553,946
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,763,137
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	142,423	
Income Taxes	<u>46,025</u>	
Total		188,448
The net pension and OPEB liability/(asset) are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	959,428	
Deferred Outflows - Pension	2,637,922	
Deferred Inflows - Pension	(1,374,860)	
Net Pension Liability	(10,292,664)	
Deferred Outflows - OPEB	281,302	
Deferred Inflows - OPEB	(1,533,962)	
Net OPEB Liability	<u>(545,701)</u>	
Total		(9,868,535)
In the statement of activities, interest is accrued on outstanding leases and notes whereas in governmental funds, an interest expenditure is reported when due.		(681)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Leases	(71,919)	
Energy Conservation Note	(281,840)	
Compensated Absences	<u>(435,664)</u>	
Total		<u>(789,423)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$6,846,892</u></u>

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,841,275	\$719,933	\$16,848	\$3,578,056
Income Taxes	731,724	0	0	731,724
Tuition and Fees	95,846	0	0	95,846
Interest	7,321	0	2,063	9,384
Charges for Services	266,818	0	94,183	361,001
Extracurricular Activities	45,925	0	192,905	238,830
Rentals	43,856	0	0	43,856
Contributions and Donations	478,935	0	132,057	610,992
Intergovernmental	7,958,835	100,704	2,551,427	10,610,966
Miscellaneous	27,302	0	45	27,347
<i>Total Revenues</i>	<u>12,497,837</u>	<u>820,637</u>	<u>2,989,528</u>	<u>16,308,002</u>
Expenditures				
Current:				
Instruction:				
Regular	3,596,890	63,157	1,058,556	4,718,603
Special	2,395,192	4,953	516,120	2,916,265
Vocational	10,351	0	0	10,351
Support Services:				
Pupils	928,203	0	225,895	1,154,098
Instructional Staff	402,680	321,319	198,913	922,912
Board of Education	41,707	0	0	41,707
Administration	1,117,323	0	33,399	1,150,722
Fiscal	412,111	25,879	713	438,703
Business	4,490	0	0	4,490
Operation and Maintenance of Plant	1,137,886	13,090	51,781	1,202,757
Pupil Transportation	616,871	229,228	57,698	903,797
Operation of Non-Instructional Services	31,500	0	521,181	552,681
Extracurricular Activities	293,658	68,308	209,048	571,014
Capital Outlay	0	240,731	0	240,731
Debt Service:				
Principal Retirement	64,149	0	0	64,149
Interest and Fiscal Charges	11,530	0	0	11,530
<i>Total Expenditures</i>	<u>11,064,541</u>	<u>966,665</u>	<u>2,873,304</u>	<u>14,904,510</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,433,296</u>	<u>(146,028)</u>	<u>116,224</u>	<u>1,403,492</u>
Other Financing Sources (Uses)				
Transfers In	0	0	3,900	3,900
Transfers Out	(3,900)	0	0	(3,900)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,900)</u>	<u>0</u>	<u>3,900</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,429,396	(146,028)	120,124	1,403,492
<i>Fund Balance (Deficit) Beginning</i>	81,680	666,879	401,895	1,150,454
<i>Fund Balance End of Year</i>	<u>\$1,511,076</u>	<u>\$520,851</u>	<u>\$522,019</u>	<u>\$2,553,946</u>

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds	\$1,403,492
 Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period.	
Capital Outlay	240,731
Current Year Depreciation/Amortization	<u>(821,490)</u>
Total	(580,759)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	1,348
Income Taxes	831
Total	2,179
Repayment of long-term note and lease principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	
	64,149
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest on Notes and Leases	87
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	909,518
OPEB	<u>27,708</u>
Total	937,226
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/(asset) are reported as pension/OPEB expense in the statement of activities.	
Pension	(890,459)
OPEB	<u>212,350</u>
Total	(678,109)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	<u>(87,159)</u>
 <i>Change in Net Position of Governmental Activities</i>	 <u><u>\$1,061,106</u></u>

See accompanying notes to the basic financial statements

East Palestine City School District
Columbiana County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,837,000	\$2,833,000	\$2,794,633	(\$38,367)
Income Taxes	416,825	750,000	726,648	(23,352)
Tuition and Fees	92,229	165,950	95,846	(70,104)
Charges for Services	75,000	325,800	266,818	(58,982)
Rentals	30,011	54,000	43,856	(10,144)
Contributions and Donations	230,643	415,000	478,935	63,935
Intergovernmental	8,409,800	8,123,117	7,899,430	(223,687)
Miscellaneous	22,109	28,500	13,216	(15,284)
<i>Total Revenues</i>	<u>12,113,617</u>	<u>12,695,367</u>	<u>12,319,382</u>	<u>(375,985)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,351,724	4,466,174	3,586,202	879,972
Special	2,222,712	2,281,238	2,363,772	(82,534)
Vocational	47,324	48,570	10,354	38,216
Support Services:				
Pupils	1,209,844	1,241,689	939,260	302,429
Instructional Staff	404,076	414,696	439,088	(24,392)
Board of Education	41,187	42,245	41,345	900
Administration	1,088,027	1,116,683	1,030,654	86,029
Fiscal	352,017	361,279	388,343	(27,064)
Business	51,640	53,000	35,498	17,502
Operation and Maintenance of Plant	1,177,095	1,207,244	1,157,681	49,563
Pupil Transportation	639,510	656,228	640,034	16,194
Central	5,846	6,000	0	6,000
Operation of Non-Instructional Services	24,553	25,200	28,500	(3,300)
Extracurricular Activities	233,750	239,907	229,546	10,361
Debt Service:				
Principal Retirement	36,612	37,805	36,000	1,805
Interest and Fiscal Charges	8,695	8,695	8,695	0
<i>Total Expenditures</i>	<u>11,894,612</u>	<u>12,206,653</u>	<u>10,934,972</u>	<u>1,271,681</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>219,005</u>	<u>488,714</u>	<u>1,384,410</u>	<u>895,696</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	0	160,000	14,364	(145,636)
Advances Out	(50,000)	(50,000)	(188,160)	(138,160)
Transfers Out	0	0	(14,050)	(14,050)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>110,000</u>	<u>(187,846)</u>	<u>(297,846)</u>
<i>Net Change in Fund Balance</i>	169,005	598,714	1,196,564	597,850
<i>Fund Balance Beginning of Year</i>	658,633	658,633	658,633	0
<i>Prior Year Encumbrances Appropriated</i>	47,826	47,826	47,826	0
<i>Fund Balance End of Year</i>	<u>\$875,464</u>	<u>\$1,305,173</u>	<u>\$1,903,023</u>	<u>\$597,850</u>

See accompanying notes to the basic financial statements

East Palestine City School District

Columbiana County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 1 - Description of the District

The East Palestine City School District (the “District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provides financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is involved with the Area Cooperative Computerized Educational Service System (ACCESS) and Columbiana County Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18. The East Palestine Public Library and the East Palestine City School District Education Foundation are related organizations of the District, which is presented in Note 18 to the basic financial statements. The District is also involved with the Portage Area School Consortium Health and Welfare Insurance Pool, a shared risk pool, which is presented in Note 17.

Management believes the basic financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

East Palestine City School District

Columbiana County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary or fiduciary funds.

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

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund The permanent improvement fund accounts for all transactions relating to the acquiring, constructing or improving of permanent improvements.

The other governmental funds of the District account for grants and other resources, and capital projects of the District, whose uses are restricted, committed or assigned to a particular purpose.

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. The School District has no private purpose trust funds.

East Palestine City School District

Columbiana County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has no custodial funds.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

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Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include pension and OPEB related amounts reported in the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide of statement of net position (see Notes 12 and 13).

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

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

E. Cash and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds (except for cash and investments in segregated accounts) are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

The School District did not have any investments during the fiscal year ending June 30, 2023.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Investment earnings credited to the general fund during fiscal year 2023 amounted to \$7,321, which includes \$2,591 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

F. Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Building Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years
Intangible Right to Use Lease	5 - 10 years

G. Interfund Balances

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

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

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

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from internal service funds are reported on the proprietary fund financial statements.

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

J. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

K. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District 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.

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Assigned Amounts in the assigned fund balance classification are intended to be used by the 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 District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

L. Interfund Activity

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2023.

N. Estimates

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

O. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The

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Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

P. Pensions/Other Postemployment Benefits (OPEB)

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

Note 3 – Change in Accounting Principles

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

GASB Statement No. 91 aims to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 aims to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the District.

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

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 4 - Budgetary Basis of Accounting

While the District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the adult education and public school support funds are reclassified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,429,396
Net Adjustment for Revenue Accruals	(164,606)
Net Adjustment for Expenditure Accruals	182,988
Advance Out	(188,160)
Net Adjustment for Funds Budgeted as Special Revenue	515
Adjustment for Encumbrances	(63,569)
Budget Basis	<u>\$1,196,564</u>

Note 5 - Fund Deficits

Fund balances at June 30, 2023 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	
IDEA Part B	\$7,477
ESSER	143,192
Title I	71,256

The nonmajor governmental funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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Note 6 - Deposits and Investments

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Deposits

At June 30, 2023, the carrying value amount of all the District's deposits was \$3,300,790. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2023, \$2,143,369 of the District's bank balance of \$3,594,554 was potentially exposed to custodial risk, meaning \$1,451,185 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk Custodial credit risk is the risk that, in the event of 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 credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) 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 (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, the School District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

B. Cash in Segregated Accounts

The District places certain funds in separate bank accounts such as: food service, principal funds and student activities. These are part of the deposit pool but are held in separate bank accounts.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the district fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property located in the District. Real property tax revenue received in calendar 2023 represent collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2021, were levied after April 1, 2022 and are collected in 2023 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2023 was \$265,175 in the general fund, and \$67,620 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2022 was \$218,533 in the general fund, \$55,629 in the permanent improvement capital projects fund and \$3,959 in the classroom facilities maintenance special revenue fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$117,350,180	81.49 %	\$119,106,650	81.17 %
Commercial Industrial	14,124,160	9.81	14,341,920	9.77
Public Utility	12,538,350	8.71	13,294,170	9.06
Total	<u>\$144,012,690</u>	<u>100.00 %</u>	<u>\$146,742,740</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$26.80		\$26.80	

Note 8 - Receivables

Receivables at June 30, 2023, consisted of property taxes, income taxes, accounts (rent, student fees and tuition), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities:	
Property Taxes	\$3,750,737
Income Taxes	326,969
Intergovernmental	239,236
Accrued Interest	7,766
Accounts	200
Total Receivables	<u>\$4,324,908</u>

Note 9 – Income Tax

The voters of the District passed a 0.5 percent permanent school district income tax in the May 2020 election that became effective January 1, 2021. School district income tax revenue received by the General Fund during fiscal year 2023 was \$731,724 on a modified accrual basis.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 10 - Capital Assets

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

	Balance 6/30/22	Additions	Reductions	Balance 6/30/23
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$490,814	\$0	\$0	\$490,814
<i>Capital assets being depreciated/amortized:</i>				
Land Improvements	3,990,421	0	0	3,990,421
Buildings and Building Improvements	27,222,695	0	0	27,222,695
Furniture and Equipment	734,072	31,953	0	766,025
Vehicles	1,103,324	208,778	0	1,312,102
Intangible - Right to Use Lease**	142,810	0	0	142,810
<i>Total capital assets being depreciated/amortized</i>	<u>33,193,322</u>	<u>240,731</u>	<u>0</u>	<u>33,434,053</u>
<i>Accumulated depreciation/amortization:</i>				
Land Improvements	(3,872,726)	(79,795)	0	(3,952,521)
Buildings and Building Improvements	(13,175,376)	(603,026)	0	(13,778,402)
Furniture and Equipment	(555,140)	(21,702)	0	(576,842)
Vehicles	(691,775)	(88,405)	0	(780,180)
Intangible - Right to Use Lease**	(45,223)	(28,562)	0	(73,785)
<i>Total accumulated depreciation/amortization</i>	<u>(18,340,240)</u>	<u>(821,490) *</u>	<u>0</u>	<u>(19,161,730)</u>
Capital assets being depreciated, net	<u>14,853,082</u>	<u>(580,759)</u>	<u>0</u>	<u>14,272,323</u>
Governmental activities capital assets, net	<u>\$15,343,896</u>	<u>(\$580,759)</u>	<u>\$0</u>	<u>\$14,763,137</u>

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

Instruction:	
Regular	\$375,202
Support Services:	
Instructional Staff	2,418
Board of Education	324
Business	28,562
Operation and Maintenance of Plant	9,187
Pupil Transportation	93,063
Operation of Non-Instructional Services	6,511
Extracurricular	306,223
Total Depreciation/Amortization Expense	<u>\$821,490</u>

**Of the current year depreciation total of \$821,490, \$28,562 is presented as a support service-business expense on the Statement of Activities related to the District's intangible asset of copiers, which are included in the table above as an Intangible Right to Use Lease. With the implementation of GASB Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

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Notes to the Basic Financial Statements

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Note 11 – Fund Balances

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

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental	Total
<i>Restricted for</i>				
College Scholarships	\$0	\$0	\$244,421	\$244,421
Capital Projects	0	520,851	31,278	\$552,129
Classroom Facilities Maintenance	0	0	1,903	1,903
Food Service Operations	0	0	197,516	197,516
Extracurricular Activities	0	0	131,418	131,418
Other Purposes	0	0	137,408	137,408
<i>Total Restricted</i>	0	520,851	743,944	1,264,795
<i>Assigned to</i>				
Subsequent Year Appropriations	302,387	0	0	302,387
<i>Unassigned (Deficit)</i>	1,208,689	0	(221,925)	986,764
<i>Total Fund Balances (Deficit)</i>	\$1,511,076	\$520,851	\$522,019	\$2,553,946

Note 12 – Long-Term Obligations

The changes in the District’s long-term obligations during fiscal year 2023 were as follows:

	Balance at 06/30/22	Increases	Decreases	Balance at 06/30/23	Amounts Due in One Year
<i>Long Term Obligations:</i>					
Energy Conservation Note	\$317,840	\$0	(\$36,000)	\$281,840	37,000
Leases Payable	100,068	0	(28,149)	71,919	29,077
Compensated absences	348,505	114,668	(27,509)	435,664	51,690
<i>Total Before Net Pension & OPEB Liability</i>	766,413	114,668	(91,658)	789,423	117,767
<i>Net Pension Liability:</i>					
STRS	4,563,154	3,673,801	0	8,236,955	0
SERS	1,537,008	518,701	0	2,055,709	0
<i>Total Net Pension Liability</i>	6,100,162	4,192,502	0	10,292,664	0
<i>Net OPEB Liability:</i>					
SERS	810,837	0	(265,136)	545,701	0
Total Long-Term Obligations	\$7,677,412	\$4,307,170	(\$356,794)	\$11,627,788	\$117,767

The House Bill 264 Energy Conservation Note was issued for \$541,840 at an interest rate of 2.90 percent and will mature on December 1, 2029. The proceeds were used to make various energy improvements to District facilities.

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Compensated absences will be paid from the general fund and district managed activity, Title I and the Improving Teacher Quality special revenue funds.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District.

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2023 are a legal voted debt margin of \$12,925,007, a legal unvoted debt margin of \$146,743, and a legal energy conservation debt margin of \$1,038,845.

Principal requirements to retire general obligation debt outstanding at June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2024	\$37,000	\$7,637	\$44,637
2025	38,000	6,549	44,549
2026	39,000	5,433	44,433
2027	40,000	4,288	44,288
2028	41,000	3,113	44,113
2029 - 2031	86,840	2,559	89,399
Total	<u>\$281,840</u>	<u>\$29,579</u>	<u>\$311,419</u>

Lease Payable – The District had previously entered into a lease agreement for copiers. Due to the implementation of GASB Statement No. 87, this lease has met the criteria of a lease, thus requiring it to be recorded by the District. This lease will be amortized over the lease term since it is shorter than the useful life due to the District not taking ownership of the equipment. A summary of the principal and interest amounts remaining for the leases are as follows:

Fiscal Year Ending June 30,	Lease		
	2020 Copiers		
	Principal	Interest	Total
2024	\$29,077	\$1,907	\$30,984
2025	30,036	948	30,984
2026	12,806	104	12,910
Total	<u>\$71,919</u>	<u>\$2,959</u>	<u>\$74,878</u>

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Note 13 – Defined Benefit Pension Plans

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

A. Net Pension Liability/Net OPEB Liability

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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B. School Employees Retirement System

Plan Description - District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. Established in 1937, SERS provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public K-12 school districts. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA, is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 219 and 2020. SERS approved a 0.5 percent COLA for eligible retirees and beneficiaries for calendar year 2023.

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

The District's contractually required contribution to SERS was \$207,894 for fiscal year 2023. Of this amount \$113,346 is reported as an intergovernmental payable.

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C. State Teachers Retirement System

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The CO Plan offers features of both the DB Plan and the DC Plan. In the CO 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 CO 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 fifty and after termination of employment.

New members who choose the DC plan or CO 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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For the Fiscal Year Ended June 30, 2023

A DB or CO 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 fiscal year 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$701,624 for fiscal year 2023. Of this amount \$113,392 is reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.04165660%	0.03568896%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.03800690%</u>	<u>0.03705312%</u>	
Change in Proportionate Share	<u>-0.00364970%</u>	<u>0.00136416%</u>	
Proportionate Share of the Net Pension Liability	\$2,055,709	\$8,236,955	\$10,292,664
Pension Expense	\$84,563	\$805,896	\$890,459

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

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$83,258	\$105,443	\$188,701
Net difference between projected and actual earnings on pension plan investments	0	286,626	286,626
Change of Assumptions	20,284	985,716	1,006,000
Change in Proportionate Share	43,037	204,040	247,077
District contributions subsequent to the measurement date	207,894	701,624	909,518
Total Deferred Outflows of Resources	\$354,473	\$2,283,449	\$2,637,922
Deferred Inflows of Resources			
Differences between expected and actual experience	\$13,496	\$31,510	\$45,006
Net difference between projected and actual earnings on pension plan investments	71,736	0	71,736
Change of Assumptions	0	741,961	741,961
Change in Proportionate Share	135,846	380,311	516,157
Total Deferred Inflows of Resources	\$221,078	\$1,153,782	\$1,374,860

\$909,518 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	(\$17,419)	(\$129,253)	(\$146,672)
2025	(73,814)	(97,282)	(171,096)
2026	(102,476)	(180,783)	(283,259)
2027	119,210	835,361	954,571
Total	(\$74,499)	\$428,043	\$353,544

Actuarial Assumptions - SERS

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

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

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explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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

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

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	2.40 Percent
Future Salary Increases, Including Inflation	3.25 Percent to 13.58 Percent
Investment Rate of Return	7.0 Percent, Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.0 Percent, on and after April 1, 2018, COLA's for future retirees will be delayed for 3 years following commencement

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

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

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

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 %	(0.45) %
U.S. Equity	24.75	5.37
Non-U.S. Equity Developed	13.50	6.22
Non-U.S. Equity Emerging	6.75	8.22
Fixed Income/Global Bond	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategies	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

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Discount Rate The total pension liability was calculated using the discount rate of 7.0 percent. The discount rate determination does not use a mechanical 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 22-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.0 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18 percent.

Sensitivity of the 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 net pension liability calculated using the discount rate of 7.0 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent), or one percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Liability	\$3,025,905	\$2,055,709	\$1,238,331

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	Varies by Service from 2.5% to 8.5%
Investment Rate of Return	7.0 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 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.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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Asset Class	Target Allocation*	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Fixed Income	22.00	1.75
Alternatives	19.00	7.38
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	7.00 %

*Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

Discount Rate The discount rate used to measure the total pension liability was 7.0 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.0 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0 percent) or one-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Liability	\$12,443,041	\$8,236,955	\$4,679,909

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

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E. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2023, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 14 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

See note 13 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 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 2023, the District's surcharge obligation was \$27,708.

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The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$27,708 for fiscal year 2023, all of which was reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability/(asset) was measured as of June 30, 2022, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/(asset) was based on the 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 and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.04284290%	0.03568896%	
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	<u>0.03866730%</u>	<u>0.03705312%</u>	
Change in Proportionate Share	<u>-0.00417560%</u>	<u>0.00136416%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$545,701	(\$959,428)	(\$413,727)
OPEB Expense	(\$42,258)	(\$170,092)	(\$212,350)

East Palestine City School District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$4,590	\$13,908	\$18,498
Net difference between projected and actual earnings on OPEB plan investments	2,834	16,703	19,537
Change of Assumptions	86,803	40,867	127,670
Change in Proportionate Share	75,452	12,437	87,889
District contributions subsequent to the measurement date	27,708	0	27,708
Total Deferred Outflows of Resources	\$197,387	\$83,915	\$281,302
Deferred Inflows of Resources			
Differences between expected and actual experience	\$349,072	\$144,084	\$493,156
Change of Assumptions	224,015	680,331	904,346
Change in Proportionate Share	126,028	10,432	136,460
Total Deferred Inflows of Resources	\$699,115	\$834,847	\$1,533,962

\$27,708 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	(\$105,839)	(\$217,249)	(\$323,088)
2025	(112,933)	(213,901)	(326,834)
2026	(103,779)	(105,956)	(209,735)
2027	(65,672)	(43,687)	(109,359)
2028	(48,280)	(56,270)	(104,550)
Thereafter	(92,933)	(113,869)	(206,802)
Total	(\$529,436)	(\$750,932)	(\$1,280,368)

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.

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Notes to the Basic Financial Statements

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

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

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

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.0 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Medical Trend Assumption	
Medicare	7.00 to 4.40 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020 and was adopted by the Board on April 15, 2022. 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, 7.0 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13 for details.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022 was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic pension benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in determination of the SEIR for both the June 30, 2021 and the June 30, 2022 total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Sensitivity of the 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.0% decreasing to 3.40%) and higher (8.0% decreasing to 5.40%) than the current rate (7.0 percent decreasing to 4.40 percent).

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
District's proportionate share of the net OPEB liability (asset)	\$677,769	\$545,701	\$439,086
	1% Decrease (6.0 % decreasing to 3.40 %)	Current Trend Rate (7.0% decreasing to 4.40 %)	1% Increase (8.0 % decreasing to 5.40 %)
District's proportionate share of the net OPEB liability (asset)	\$420,830	\$545,701	\$708,798

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Notes to the Basic Financial Statements

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Actuarial Assumptions - STRS

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

Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.0 percent, net of investment expenses, including inflation
Payroll Increases	3.0 percent
Discount Rate of Return	7.0 percent
Health Care Cost Trends:	
<i>Medical</i>	
Pre-Medicare	7.50 percent initial, 3.94 percent ultimate
Medicare	(68.78) percent initial, 3.94 percent ultimate
<i>Prescription Drug</i>	
Pre-Medicare	9.0 percent initial, 3.94 percent ultimate
Medicare	(5.47) percent initial, 3.94 percent ultimate

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

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.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.0 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.0 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.0 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 (6.0 percent) or one percentage point higher (8.0 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

	<u>1% Decrease</u> <u>(6.0%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.0%)</u>	<u>1% Increase</u> <u>(8.0%)</u>
District's proportionate share of the net OPEB asset	(\$886,966)	(\$959,428)	(\$1,021,499)

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	(\$995,161)	(\$959,428)	(\$914,325)

Note 15 – Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for all employees. Upon retirement, certificated employees receive payment for 25 percent of 144 accrued sick leave days plus 10 percent of all sick days accrued above and beyond the first 144 days up to the maximum accumulation. Classified employees receive payment for 25 percent of 135 accrued sick leave days plus 10 percent of all sick days accrued above and beyond the first 135 days up to the maximum accumulation.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to contracted employees through Safeco, Inc.

Note 16 – Statutory Reserves

The 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 acquisitions. Disclosure of this information is required by State statute.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

	Capital Improvements
Set-Aside Balance as of June 30, 2022	\$0
Current Year Set-Aside Requirement	206,547
Current Year Offsets	<u>(832,770)</u>
Total	<u><u>(\$626,223)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Cash balance as of June 30, 2023	<u><u>\$0</u></u>

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition 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 17 - Risk Management

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District has property and liability coverage as follows:

Coverage	Amount	Deductible
Building/Contents Property	\$54,434,682	\$10,000
Boiler and Machinery	5,000,000	500
Crime Insurance	25,000	500
Automobile Liability	1,000,000	0
Uninsured Motorists	1,000,000	0
General Liability	1,000,000	0
Education Liability:		
Per occurrence	1,000,000	0
Total per year	2,000,000	0
School Board Errors and Omissions	1,000,000	0
Umbrella	3,000,000	0

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year.

B. Fidelity Bond

The Treasurer is covered under a surety bond in the amount of \$25,000.

East Palestine City School District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

C. Workers' Compensation

The District pays the State Workers' Compensation system, an insurance purchasing pool, a premium based on a rate per \$100 of salaries. The District is a member of the Comp Management, Inc. Group Rating Program, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

On July 1, 2010, the District joined the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool, through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the District were to withdraw from the pool. If the reserve would not cover such claims, the District would be liable for any costs above the reserve.

Note 18 – Related Organizations

The East Palestine Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of East Palestine Public Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during the fiscal year 2023.

The East Palestine City School District Education Foundation is also associated with the District. The Foundation was formed in April of 2002 and is operated exclusively for charitable and educational purposes, for the purpose of making scholarships and improvements to the District. The Foundation is a tax-exempt trust as determined by 501(C)(3) of the Internal Revenue Code. The Foundation operates under an eleven-member Board, consisting of the Superintendent and Treasurer of the District as non-voting members, and nine persons residing or doing business within the District. Financial information on the Foundation can be obtained by contacting Rick Ellis, Treasurer, East Palestine School District, 200 West North Avenue, East Palestine, Ohio 44413.

Note 19 – Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System/ACCESS Assembly

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of participating school districts in Mahoning and Columbiana Counties, educational service centers, non-public schools and Special Education Regional Resource Centers.

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For the Fiscal Year Ended June 30, 2023

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. Financial information can be obtained by contacting the Treasurer, Brian Stidham, at 493 Bev Road, Unit 1, Boardman, Ohio 44512.

B. Columbiana County Career Center

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

Note 20 - Contingencies

A. Grants

The 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 agreement 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

B. Litigation

The District is not currently party any claims or legal proceedings that would, in the District's opinion, have a material effect on the basic financial statements.

East Palestine City School District

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$63,569 in the general fund, \$199,680 in the permanent improvement fund and \$176,906 in the non-major governmental funds.

D. School District Foundation

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. The final adjustment was not material and is not reflected in the accompanying financial statements.

Note 21 – Tax Abatements

As of June 30, 2023, the District provides tax abatements through an Enterprise Zone (Ezone). This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investments. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the City. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of tax abated was not significant for the District.

Note 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID- 19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2023, the School District received Economic Security (CARES) Act funding. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's Proportion of the Net Pension Liability	0.03800690%	0.04165660%	0.03860030%	0.04040550%
School District's Proportionate Share of the Net Pension Liability	\$2,055,709	\$1,537,008	\$2,553,105	\$2,417,532
School District's Employee Payroll	\$1,418,771	\$1,437,879	\$1,353,243	\$935,716
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	144.89%	106.89%	188.67%	258.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.04153720%	0.03813350%	0.03895880%	0.04094570%	0.03974700%	0.03974700%
\$2,378,912	\$2,278,392	\$2,851,425	\$2,336,401	\$2,011,574	\$2,363,627
\$1,377,636	\$1,236,229	\$1,289,564	\$1,747,208	\$1,217,244	\$1,236,019
172.68%	184.30%	221.12%	133.72%	165.26%	191.23%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

East Palestine City School District
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Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's Proportion of the Net Pension Liability	0.037053120%	0.035688958%	0.036229540%	0.039020300%
School District's Proportionate Share of the Net Pension Liability	\$8,236,955	\$4,563,154	\$8,766,260	\$8,629,105
School District's Employee Payroll	\$4,817,086	\$4,403,786	\$4,372,336	\$4,794,269
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	170.99%	103.62%	200.49%	179.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.48%	77.40%

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.041289680%	0.040242840%	0.040983160%	0.041500870%	0.040935820%	0.040935820%
\$9,078,674	\$9,559,773	\$13,718,299	\$11,469,627	\$9,957,008	\$11,860,723
\$4,693,943	\$4,424,207	\$4,312,214	\$4,021,143	\$4,348,062	\$4,605,946
193.41%	216.08%	318.13%	285.23%	229.00%	257.51%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Pension Contribution	\$207,894	\$198,628	\$201,303	\$189,454
Pension Contributions in Relation to the Contractually Required Contribution	(\$207,894)	(\$198,628)	(\$201,303)	(\$189,454)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,484,957	\$1,418,771	\$1,437,879	\$1,353,243
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$126,321	\$192,869	\$173,072	\$180,539	\$230,282	\$168,710
(\$126,321)	(\$192,869)	(\$173,072)	(\$180,539)	(\$230,282)	(\$168,710)
\$0	\$0	\$0	\$0	\$0	\$0
\$935,716	\$1,377,636	\$1,236,229	\$1,289,564	\$1,747,208	\$1,217,244
13.50%	14.00%	14.00%	14.00%	13.18%	13.86%

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*Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Pension Contribution	\$701,624	\$674,392	\$616,530	\$612,127
Pension Contributions in Relation to the Contractually Required Contribution	(\$701,624)	(\$674,392)	(\$616,530)	(\$612,127)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$5,011,600	\$4,817,086	\$4,403,786	\$4,372,336
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$671,198	\$657,152	\$619,389	\$603,710	\$562,960	\$565,248
(\$671,198)	(\$657,152)	(\$619,389)	(\$603,710)	(\$562,960)	(\$565,248)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,794,269	\$4,693,943	\$4,424,207	\$4,312,214	\$4,021,143	\$4,348,062
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio (SERS)
Last Seven Fiscal Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.03886730%	0.04284290%	0.04004110%	0.04125490%	0.04191050%	0.03881320%	0.03881320%
School District's Proportionate Share of the Net OPEB Liability	\$545,701	\$810,837	\$870,224	\$1,037,474	\$1,162,710	\$1,041,644	\$1,106,320
School District's Employee Payroll	\$1,418,771	\$1,437,879	\$1,353,243	\$935,716	\$1,377,636	\$1,236,229	\$1,289,564
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	38.46%	56.39%	64.31%	110.87%	84.40%	84.26%	85.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio (STRS)
Last Seven Fiscal Years (1)

	2023	2022	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.037053120%	0.035688958%	0.036229540%	0.039020300%	0.041289680%	0.040242840%	0.040242840%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$959,428)	(\$752,473)	(\$636,733)	(\$646,270)	(\$663,483)	\$1,570,127	\$2,152,198
School District's Employee Payroll	\$4,817,086	\$4,403,786	\$4,372,336	\$4,794,269	\$4,693,943	\$4,424,207	\$4,312,214
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Employee Payroll	-19.92%	-17.09%	-14.56%	-13.48%	-14.13%	35.49%	49.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	230.73%	174.73%	182.13%	174.74%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

East Palestine City School District
Columbiana County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required OPEB Contribution	\$27,708	\$25,408	\$27,012	\$25,655
OPEB Contributions in Relation to the Contractually Required Contribution	(\$27,708)	(\$25,408)	(\$27,012)	(\$25,655)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,484,957	\$1,418,771	\$1,437,879	\$1,353,243
Contributions as a Percentage of Employee Payroll	1.87%	1.79%	1.88%	1.90%

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
\$29,144	\$21,625	\$21,693	\$20,497	\$21,883	\$21,123
(\$29,144)	(\$21,625)	(\$21,693)	(\$20,497)	(\$21,883)	(\$21,123)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$935,716	\$1,377,636	\$1,236,229	\$1,289,564	\$1,747,208	\$1,217,244
3.11%	1.57%	1.75%	1.59%	1.25%	1.74%

East Palestine City School District
Columbiana County, Ohio

*Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$5,011,600	\$4,817,086	\$4,403,786	\$4,372,336
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$0	\$0	\$0	\$0	\$0	\$43,841
\$0	\$0	\$0	\$0	\$0	(\$43,841)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,794,269	\$4,693,943	\$4,424,207	\$4,312,214	\$4,021,143	\$4,348,062
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

East Palestine City School District
Columbiana County, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 & Prior</u>
Wage Inflation	3.00 Percent	3.25 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent	4.00 Percent to 22.00 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation	7.75 Percent Net of Investment Expense, Including Inflation

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

Fiscal Year 2022

- *Assumed rate of inflation was reduced from 3.00% to 2.40%
- *Payroll growth assumption was reduced from 3.50% to 1.75%
- *Assumed real wage growth was increased from 0.50% to 0.85%
- *Cost-of-Living-Adjustments was reduced from 2.50% to 2.00%
- *The discount rate was reduced from 7.50% to 7.00%

- *Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement and disability were updated to reflect recent experience.

- *Mortality among active members was updated to the following:
PUB-2010 General Amount Weighted Below Median Employee mortality table. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

- *Mortality among service retired members was updated to the following:
PUB-2010 General Employee Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

- *Mortality among contingent survivors was updated to the following:
PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

- *Mortality among disabled members was updated to the following:
PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

East Palestine City School District
Columbiana County, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Net Pension Liability

Changes in Assumptions – SERS (continued)

Fiscal Year 2023

*Cost-of-Living-Adjustments was increased from 2.00% to 2.50%

Changes of Benefit and Funding Terms – SERS

In fiscal year 2019, post-retirement increases in benefits included the following changes:

*Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3 percent of their base benefit on the anniversary of their initial date of retirement.

*Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent, nor greater than 2.5 percent. COLAs are suspended for calendar years 2018, 2019, and 2020.

*Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

Fiscal Year 2022-2023

None

East Palestine City School District
Columbiana County, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Net Pension Liability

Changes in Assumptions - STRS

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

	<u>Fiscal Year 2018</u>
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 Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

	<u>Fiscal Year 2017 & Prior</u>
Inflation	2.75 Percent
Projected Salary Increases	12.25 Percent at Age 20 to 2.75 Percent at Age 70
Investment Rate of Return	7.75 Percent, Net of Expenses, Including Inflation
Payroll Increases	3.50 Percent
Cost of Living Adjustments (COLA)	2 Percent Simple applied as follows: For Members Retiring Before August 1, 2013 3 percent per year. For Members retiring August 1, 2013 or later, 2 percent COLA commences on 5th anniversary date

Beginning with fiscal year 2018, 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. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Fiscal Year 2022

The investment and discount rate of return changed from 7.45 percent to 7.0 percent.

Fiscal Year 2023

*The investment and discount rate remained at 7.0 percent.

*Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

East Palestine City School District
Columbiana County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Changes in Benefit Terms - STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019 - 2021.

Fiscal Year 2022-2023

None

East Palestine City School District
Columbiana County, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Fiscal Year 2022

- *The discount rate was changed from 2.63% to 2.27%.
- *The investment rate of return was reduced from 7.50% to 7.00%.
- *Assumed rate of inflation was reduced from 3.00% to 2.40%
- *Payroll Growth Assumption was reduced from 3.50% to 1.75%
- *Assumed real wage growth was increased from 0.50% to 0.85%
- *Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- *Rate of health care participation for future retirees and spouses was updated to reflect recent experience.

- *Mortality among active members was updated to the following:
 PUB-2010 General Amount Weighted Below Median Employee mortality table.

- *Mortality among service retired members was updated to the following:
 PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.

- *Mortality among beneficiaries was updated to the following:
 PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.

- *Mortality among disabled member was updated to the following:
 PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.

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

East Palestine City School District
Columbiana County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Net OPEB Liability

Changes in Assumptions – SERS (continued)

Fiscal Year 2023

*The discount rate was changed from 2.27% to 4.08%.

*The health care trend rates were updated.

Changes of Benefit and Funding Terms – SERS

In fiscal year 2019, SERS' funding policy allowed a 2.0 percent health care contribution rate to be allocated to the Health Care fund. The 2.0 percent is a combination of 0.5 percent employer contributions and 1.5 percent surcharge.

In fiscal year 2020, SERS' funding policy allowed a 1.5 percent health care contribution rate to be allocated to the Health Care fund. The 1.5 percent is a combination of 0.0 percent employer contributions and 1.5 percent surcharge.

Fiscal Year 2022

SERS changed the Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

Fiscal Year 2023

None

East Palestine City School District
Columbiana County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

Net OPEB Liability

Changes in Assumptions – STRS OPEB

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

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

Fiscal Year 2022

In 2021 the investment and discount rate of return changed from 7.45 percent to 7.0 percent.

Fiscal Year 2023

Demographic assumptions were reviewed and adopted by the Board on February 17, 2022 as part of an experience study performed (report dated and accepted March 11, 2022) covering the period from July 1, 2015 to June 30, 2021, with changes going into effect June 30, 2022.

From Plan Year Ending June 30, 2022 to Plan Year Ending June 30, 2023, Medicare projected medical cost decreased 42%, the Medicare projected net pharmacy cost increased 6% and the premium charged to Medicare Eligible Retirees dropped 15%. The Non Medicare projected medical, pharmacy and premium charged to retirees increased 3%, slightly less than expected.

Changes in Benefit Terms – STRS OPEB

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

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

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

East Palestine City School District
Columbiana County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

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

Fiscal Year 2022

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.100 percent. The non-Medicare frozen subsidy base was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in current year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

Fiscal Year 2023

The change in the 2023 subsidy percentage and the base amount for all participants, went from 2.1% per year to 2.2% per year, max 30 years, as well as the changes in Primary Care Physician office visit copays, the PBM network changes for Medicare, and the increase of the Part B premium reimbursement to \$30 per month for all retirees and surviving spouses.

**EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass Through Grantor / Program Title	Grant Year	Federal Assistance Listing Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through The Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)	2023	10.555	\$ 40,718
COVID-19 National School Lunch Program	2023	10.555	28,599
National School Lunch Program	2022	10.555	99,291
National School Lunch Program	2023	10.555	183,908
Total National School Lunch Program			<u>352,516</u>
School Breakfast Program	2022	10.553	30,046
School Breakfast Program	2023	10.553	57,552
Total School Breakfast Program			<u>87,598</u>
Total Child Nutrition Cluster			<u>440,114</u>
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	2022	10.649	628
Total – U.S. Department of Agriculture			<u>440,742</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through The Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	2022	84.010	55,102
Title I Grants to Local Educational Agencies	2023	84.010	300,920
Total Title I Grants to Local Educational Agencies			<u>356,022</u>
Special Education Cluster (IDEA):			
Special Education Grants to States	2022	84.027	2,196
Special Education Grants to States	2023	84.027	139,414
COVID-19 Special Education Grants to States	2023	84.027	48,683
Total Special Education Grants to States			<u>190,293</u>
Special Education Preschool Grant	2023	84.173	8,961
COVID-19 Special Education Preschool Grant	2023	84.173	3,619
Total Special Education Cluster (IDEA):			<u>202,873</u>
Title II-A Supporting Effective Instruction State Grants	2023	84.367	43,281
Student Support and Academic Enrichment	2023	84.424	3,813
COVID-19 Education Stabilization Fund (ESF):			
COVID-19 Elementary and Secondary School Emergency Relief Fund	2022	84.425D	249,523
COVID-19 Elementary and Secondary School Emergency Relief Fund	2023	84.425U	1,034,459
Total COVID-19 Education Stabilization Fund (ESF):			<u>1,283,982</u>
Total – U.S. Department of Education			<u>1,889,971</u>
Total Federal Financial Assistance			<u>\$ 2,330,713</u>

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

**EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the **East Palestine City School District**, Columbiana County, Ohio (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



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

East Palestine City School District
Columbiana County
200 West North Avenue
East Palestine, Ohio 44413

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **East Palestine City School District**, Columbiana County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 15, 2024.

Report on the Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive style.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 15, 2024



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

East Palestine City School District
Columbiana County
200 West North Avenue
East Palestine, Ohio 44413

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited **East Palestine City School District's** (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the East Palestine City School District's major federal program for the year ended June 30, 2023. East Palestine City School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of audit findings.

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (Continued)

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

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

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 15, 2024

**EAST PALESTINE CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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)?	No
<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):	Elementary and Secondary School Emergency Relief Fund, AL #84.425
<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**

None

3. FINDINGS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



EAST PALESTINE CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/26/2024

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