OHIO AUDITOR OF STATE
KEITH FABER

MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2021

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OHIO AUDITOR OF STATE
KEITH FABER

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

INDEPENDENT AUDITOR'S REPORT

Marlington Local School District
Stark County
10320 Moulin Avenue Northeast
Alliance, Ohio 44601

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2022, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2022

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

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- Total revenues increased from fiscal year 2020 by $5,213,189. This increase is largely due to increases in grant revenues as well as property tax revenues.
- Total program expenses increased from fiscal year 2020 by $1,580,083, or 6 percent. This increase is largely due to an increase in salaries and benefits for instructional purposes related to State Teachers Retirement System (STRS) other postemployment benefit (OPEB) expenses.
- Total revenues exceeded total program expenses by $2,870,357, resulting in an increase in the School District's net position, ending the fiscal year with a net position of ($1,105,175).
- The School District continues to receive funds from a 2.0 mill renewal permanent improvement levy which was passed in November 2013 for a continuing period of time. The levy had previously been on a five year cycle. This levy currently generates approximately $615,000 per fiscal year and is an important funding source for capital expenditures for School District infrastructure, buses, and select technology.
- The School District remains in a House Bill 264 Program through PlugSmart to invest in energy conservation initiatives. To participate in the program, the School District invested current funds as well as leveraged a long-term borrowing to offset the costs of the program. The long-term energy savings of the program is estimated to pay back the invested costs over 12.6 years.
- The School District continues to receive property taxes from a public utility asset associated with the Nexus Pipeline in fiscal year 2021. The majority of the funds are associated with the general fund with a small portion associated with the permanent improvement fund. The School District currently has elected to transfer the receipts associated with the general fund to a capital projects fund for the purpose of renovating school buildings.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes pertaining to those statements. The statements are organized so the reader can understand the Marlington Local School District as a financial whole, or complete operating entity.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Marlington Local School District, the general fund and the permanent improvement capital projects fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The statement of net position and statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. The amount of net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one measure of the School District's financial health, or financial position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Assessing the overall health of the School District involves many factors. Non-financial factors may include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency and fiscal capacity.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund.

Governmental Funds

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to 2020.

Table 1
Net Position
Governmental Activities

	2021	Restated 2020	Change
Assets			
Current and Other Assets	$29,543,798	$23,212,742	$6,331,056
Capital Assets, Net	17,704,372	15,249,492	2,454,880
Net OPEB Asset	1,470,644	1,347,456	123,188
Total Assets	48,718,814	39,809,690	8,909,124
Deferred Outflows of Resources			
Pension	4,826,362	4,359,364	466,998
OPEB	702,187	498,834	203,353
Total Deferred Outflows of Resources	5,528,549	4,858,198	670,351
Liabilities			
Current Liabilities	3,205,772	3,070,909	(134,863)
Long-Term Liabilities:			
Due Within One Year	975,162	351,572	(623,590)
Due in More Than One Year:			
Net Pension Liability	26,507,131	23,892,971	(2,614,160)
Net OPEB Liability	2,096,430	2,547,305	450,875
Other Amounts	5,967,350	1,691,080	(4,276,270)
Total Liabilities	38,751,845	31,553,837	(7,198,008)
Deferred Inflows of Resources			
Property Taxes	12,801,300	12,626,708	(174,592)
Pension	703,621	1,925,113	1,221,492
OPEB	3,095,772	2,537,762	(558,010)
Total Deferred Inflows of Resources	16,600,693	17,089,583	488,890
Net Position			
Net Investment in Capital Assets	15,473,311	14,796,429	676,882
Restricted	2,480,644	1,443,320	1,037,324
Unrestricted (Deficit)	(19,059,130)	(20,215,281)	1,156,151
Total Net Position	($1,105,175)	($3,975,532)	$2,870,357

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021. Governmental Accounting Standards Board (GASB) notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Overall, the position of the School District increased, as evidenced by the increase in net position. This is largely because of an increase in cash and cash equivalents as well as intergovernmental receivables.

Table 2 shows the changes in net position for fiscal years 2021 and 2020.

Table 2
Changes in Net Position
Governmental Activities

	2021	Restated 2020	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$3,030,600	$3,308,892	($278,292)
Operating Grants, Contributions, and Interest	6,791,759	3,276,046	3,515,713
Total Program Revenues	9,822,359	6,584,938	3,237,421
General Revenues:			
Property Taxes	12,085,506	10,350,711	1,734,795
Grants and Entitlements	9,527,474	9,415,662	111,812
Unrestricted Contributions	0	100	(100)
Investment Earnings	47,873	286,145	(238,272)
Miscellaneous	777,854	410,321	367,533
Total General Revenues	22,438,707	20,462,939	1,975,768
Total Revenues	$32,261,066	$27,047,877	$5,213,189

(continued)

Table 2
Changes in Net Position
Governmental Activities (continued)

	2021	Restated 2020	Change
Program Expenses			
Instruction:			
Regular	$12,894,741	$11,378,100	($1,516,641)
Special	4,307,114	4,358,230	51,116
Vocational	522,548	617,777	95,229
Support Services:			
Pupils	1,474,903	1,210,417	(264,486)
Instructional Staff	971,862	849,685	(122,177)
Board of Education	15,907	16,954	1,047
Administration	2,080,641	1,896,075	(184,566)
Fiscal	814,358	802,132	(12,226)
Business	157,176	195,141	37,965
Operation and Maintenance of Plant	2,216,878	2,125,466	(91,412)
Operation and Maintenance of Plant - Intergovernmental	0	438,057	438,057
Pupil Transportation	1,746,240	1,740,711	(5,529)
Central	87,118	116,919	29,801
Operation of Non-Instructional Services	1,012,068	1,004,616	(7,452)
Extracurricular Activities	1,055,597	1,048,932	(6,665)
Interest and Fiscal Charges	33,558	11,414	(22,144)
Total Program Expenses	29,390,709	27,810,626	(1,580,083)
Change in Net Position	2,870,357	(762,749)	3,633,106
Net Position Beginning of Year	(3,975,532)	(3,212,783)	(762,749)
Net Position End of Year	($1,105,175)	($3,975,532)	$2,870,357

The largest component of the increase in program expenses results from increases in pension and OPEB expenses, the most significant increase being related to STRS OPEB expenses. The School District's OPEB expense related to STRS increased from a negative expense of $441,242 for fiscal year 2020 to a negative expense of $113,706 for fiscal year 2021.

Program revenues in fiscal year 2021 increased significantly compared to fiscal year 2020 due to an increase in grants received during the fiscal year.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The majority of the School District's expenses are for instruction. Support services for operation and maintenance of plant, administration, pupil transportation, pupils, extracurricular activities, operation of non-instructional services, and instructional staff are the next largest areas of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District.

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

Table 3
Governmental Activities

	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Governmental Activities:				
Instruction:				
Regular	$12,894,741	$9,902,360	$11,378,100	$9,958,054
Special	4,307,114	1,963,602	4,358,230	2,215,353
Vocational	522,548	260,643	617,777	348,860
Support Services:				
Pupils	1,474,903	542,906	1,210,417	748,639
Instructional Staff	971,862	717,279	849,685	748,541
Board of Education	15,907	14,217	16,954	14,937
Administration	2,080,641	1,768,684	1,896,075	1,682,141
Fiscal	814,358	720,270	802,132	712,144
Business	157,176	156,093	195,141	22,030
Operation and Maintenance of Plant	2,216,878	1,411,783	2,125,466	1,891,614
Operation and Maintenance of Plant - Intergovernmental	0	0	438,057	438,057
Pupil Transportation	1,746,240	1,511,953	1,740,711	1,471,526
Central	87,118	68,989	116,919	96,699
Operation of Non-Instructional Services	1,012,068	(183,867)	1,004,616	216,520
Extracurricular Activities	1,055,597	679,880	1,048,932	649,159
Interest and Fiscal Charges	33,558	33,558	11,414	11,414
Total	$29,390,709	$19,568,350	$27,810,626	$21,225,688

Both the total cost of services and net cost of services increased from the prior fiscal year. As one can see, the vast majority of program expenses are not covered by program revenues. Instead, the reliance upon general revenues, including tax revenues and grants and entitlements for governmental activities, is crucial.

School District's Funds

Information regarding the School District's major funds can be found beginning on page 16. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues outpacing expenditures. The net change in fund balance for the fiscal year was most significant in the general fund which increased primarily as a result of the overall increase in revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2021, the School District amended its general fund budget numerous times, none significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

For the general fund, the final budget basis estimated revenues and other financing sources were lower than the original budget basis estimated revenues. The actual revenues and other financing sources were higher than the final budget basis estimated revenues but lower than the original budget basis estimated revenues. The difference was mainly due to higher than expected property tax and miscellaneous revenues.

Final budget basis appropriations for expenditures and other financing uses were lower than the original budget basis appropriations for expenditures and other financing uses due to decreased appropriations for operational costs. Actual expenditures and other financing uses were lower than the original and final budget basis appropriations due to lower than expected administration and operational costs.

The general fund's unencumbered ending cash balance totaled $7,237,175, which was higher than the final budgeted balance.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. There was an increase in capital assets during the fiscal year. This was primarily due to construction in progress and new asset additions including building renovations, a keyless entry system, and network upgrades exceeding annual depreciation. More detailed information is presented in Note 8 to the basic financial statements.

Debt Administration

During fiscal year 2015, the School District issued $779,685 in energy conservation bonds, which will be used for the modification and remodeling of School District buildings to conserve energy. These bonds will be paid from the general fund and will mature in fiscal year 2025.

During fiscal year 2020, the School District incurred new debt with the City of Alliance to pay for their share of project costs associated with obtaining city water to the School District's main campus. The project was between the City of Alliance and the EPA.

During fiscal year 2021, the School District entered into a base lease and lease-purchase agreement for $4,700,000 relating to the remodeling of existing elementary buildings.

The School District's overall legal debt margin was $42,636,517 with an unvoted debt margin of $473,739 as of June 30, 2021. More detailed information is presented in Note 14 to the basic financial statements.

Current Financial Related Activities

The School District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed periodically from the community's citizens. The School District continues to be concerned with maintaining adequate revenue while controlling costs. Inflationary increases in costs associated with education, as well as the age of the School District's buildings and the continuous need to invest in technology infrastructure and technology equipment for its staff and students will continue to be a budget balancing act for the School District.

In fiscal year 2021, the School District received approximately $2.2 million in Coronavirus Relief funding from federal grants. The funding is to assist with loss of learning and other support services associated with managing and minimizing the impact on students and staff associated with the COVID-19 pandemic.

The contract between the School District and its certified staff was renewed in fiscal year 2019 and the new contract will expire on June 30, 2022. The contract between the School District and its classified staff was renegotiated in the spring of 2020 and the new contract went into effect July 1, 2020, and will expire June 30, 2023.

The School District will make prudent use of the 2.0 mill renewal permanent improvement levy the community passed for a continuing period of time which currently generates approximately $615,000 per fiscal year in revenue for the School District. Passage of the levy was reflective of consistent community support in regards to passage of this and previous renewal levies.

The School District has an 8.5 mill operating levy that expired at the end of calendar year 2017. The School District obtained approval of the renewal of that levy in November 2017. The District also has an additional 8.5 mill operating levy that expired at the end of calendar year 2019. A renewal for this levy was on the ballot on November 5, 2019 and was passed by the voters.

Due to the age of the current facilities, an increased need for repairs and capital expenditures has been realized. Historically, each year these proposed expenditures are monitored and prioritized to fit into the annual budget. With the additional public utility tax revenue associated with the Nexus Pipeline beginning in calendar year 2020, it is the current intent of the Board of Education to allocate these funds to a separate capital projects fund to renovate school facilities. To date, the Board of Education has approved projects for remodeling and repairs of the three existing elementary buildings.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Patty Main, Treasurer, 10320 Moulin Avenue Northeast, Alliance, Ohio 44601-9797.

Basic
Financial
Statements

Marlington Local School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	$14,227,019
Accounts Receivable	6,021
Accrued Interest Receivable	22,846
Intergovernmental Receivable	1,024,866
Inventory Held for Resale	16,987
Materials and Supplies Inventory	180,699
Prepaid Items	36,939
Property Taxes Receivable	14,028,421
Nondepreciable Capital Assets	4,592,633
Depreciable Capital Assets, Net	13,111,739
Net OPEB Asset	1,470,644
Total Assets	48,718,814
Deferred Outflows of Resources	
Pension	4,826,362
OPEB	702,187
Total Deferred Outflows of Resources	5,528,549
Liabilities	
Accounts Payable	246,601
Contracts Payable	3,318
Accrued Wages Payable	2,142,862
Accrued Interest Payable	8,012
Matured Compensated Absences Payable	41,810
Intergovernmental Payable	707,450
Unearned Revenue	55,719
Long-Term Liabilities:	
Due Within One Year	975,162
Due In More Than One Year:	
Net Pension Liability (See Note 11)	26,507,131
Net OPEB Liability (See Note 12)	2,096,430
Other Amounts	5,967,350
Total Liabilities	38,751,845
Deferred Inflows of Resources	
Property Taxes	12,801,300
Pension	703,621
OPEB	3,095,772
Total Deferred Inflows of Resources	16,600,693
Net Position	
Net Investment in Capital Assets	15,473,311
Restricted for:	
Capital Outlay	953,088
District Managed Student Activities	113,555
Special Instruction	123,770
Scholarships	667,158
Other Purposes	623,073
Unrestricted (Deficit)	(19,059,130)
Total Net Position	($1,105,175)

See accompanying notes to the basic financial statements

Marlington Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$12,894,741	$1,253,351	$1,739,030	($9,902,360)
Special	4,307,114	382,366	1,961,146	(1,963,602)
Vocational	522,548	57,695	204,210	(260,643)
Support Services:				
Pupils	1,474,903	116,551	815,446	(542,906)
Instructional Staff	971,862	105,233	149,350	(717,279)
Board of Education	15,907	1,690	0	(14,217)
Administration	2,080,641	220,097	91,860	(1,768,684)
Fiscal	814,358	94,088	0	(720,270)
Business	157,176	1,083	0	(156,093)
Operation and Maintenance of Plant	2,216,878	214,989	590,106	(1,411,783)
Pupil Transportation	1,746,240	174,802	59,485	(1,511,953)
Central	87,118	9,129	9,000	(68,989)
Operation of Non-Instructional Services	1,012,068	42,186	1,153,749	183,867
Extracurricular Activities	1,055,597	357,340	18,377	(679,880)
Interest and Fiscal Charges	33,558	0	0	(33,558)
Totals	$29,390,709	$3,030,600	$6,791,759	(19,568,350)
		General Revenues		
		Property Taxes Levied for:		
		General Purposes		12,085,506
		Grants and Entitlements not Restricted to Specific Programs		9,527,474
		Investment Earnings		47,873
		Miscellaneous		777,854
		Total General Revenues		22,438,707
		Change in Net Position		2,870,357
		Net Position Beginning of Year - Restated (See Note 3)		(3,975,532)
		Net Position End of Year		($1,105,175)

See accompanying notes to the basic financial statements

Marlington Local School District
Balance Sheet
Governmental Funds
June 30, 2021

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	$7,808,976	$886,402	$5,531,641	$14,227,019
Accounts Receivable	6,021	0	0	6,021
Accrued Interest Receivable	22,846	0	0	22,846
Interfund Receivable	404,954	0	0	404,954
Intergovernmental Receivable	233,618	0	791,248	1,024,866
Inventory Held for Resale	0	0	16,987	16,987
Materials and Supplies Inventory	178,986	0	1,713	180,699
Prepaid Items	36,939	0	0	36,939
Property Taxes Receivable	13,377,245	651,176	0	14,028,421
Total Assets	$22,069,585	$1,537,578	$6,341,589	$29,948,752
Liabilities				
Accounts Payable	$224,465	$0	$22,136	$246,601
Contracts Payable	3,318	0	0	3,318
Accrued Wages Payable	1,865,185	0	277,677	2,142,862
Interfund Payable	0	0	404,954	404,954
Matured Compensated Absences Payable	26,401	0	15,409	41,810
Intergovernmental Payable	631,999	0	75,451	707,450
Unearned Revenue	2,170	0	53,549	55,719
Total Liabilities	2,753,538	0	849,176	3,602,714
Deferred Inflows of Resources				
Property Taxes	12,213,118	588,182	0	12,801,300
Unavailable Revenue	895,843	40,215	184,652	1,120,710
Total Deferred Inflows of Resources	13,108,961	628,397	184,652	13,922,010
Fund Balances				
Nonspendable	215,990	0	1,713	217,703
Restricted	0	909,181	4,292,523	5,201,704
Committed	126,200	0	1,105,577	1,231,777
Assigned	441,822	0	0	441,822
Unassigned (Deficit)	5,423,074	0	(92,052)	5,331,022
Total Fund Balances (Deficit)	6,207,086	909,181	5,307,761	12,424,028
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$22,069,585	$1,537,578	$6,341,589	$29,948,752

See accompanying notes to the basic financial statements

Marlington Local School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2021

Total Governmental Fund Balances		$12,424,028
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,704,372
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	785,649	
Intergovernmental	184,652	
Tuition and Fees	150,409	
Total		1,120,710
In the statement of activities, interest is accrued on outstanding bonds; whereas in governmental funds, an interest expenditure is reported when due.		(8,012)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Energy Conservation Bonds	(293,680)	
Long-Term Loan Payable	(394,251)	
Capital Lease Payable	(41,611)	
Compensated Absences	(1,492,970)	
Lease Purchase Agreement	(4,700,000)	
Asset Retirement Obligation	(20,000)	
Total		(6,942,512)
The net pension/OPEB asset/liabilities are not due and payable in the current period; therefore, the asset/liabilities and related deferred inflows/outflows are not reported in the funds:		
Net OPEB Asset	1,470,644	
Deferred Outflows - Pension	4,826,362	
Deferred Outflows - OPEB	702,187	
Net Pension Liability	(26,507,131)	
Net OPEB Liability	(2,096,430)	
Deferred Inflows - Pension	(703,621)	
Deferred Inflows - OPEB	(3,095,772)	
Total		(25,403,761)
Net Position of Governmental Activities		($1,105,175)

See accompanying notes to the basic financial statements

Marlington Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2021

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$11,217,457	$564,120	$0	$11,781,577
Intergovernmental	10,559,100	40,822	5,571,562	16,171,484
Interest	37,125	0	10,748	47,873
Tuition and Fees	2,610,935	0	0	2,610,935
Extracurricular Activities	68,730	0	221,282	290,012
Contributions and Donations	8,113	0	7,086	15,199
Customer Sales and Services	23,629	0	42,186	65,815
Rentals	100	0	0	100
Miscellaneous	699,880	56,200	21,774	777,854
Total Revenues	25,225,069	661,142	5,874,638	31,760,849
Expenditures				
Current:				
Instruction:				
Regular	10,488,059	0	1,709,621	12,197,680
Special	3,251,870	0	897,220	4,149,090
Vocational	490,978	0	0	490,978
Support Services:				
Pupils	986,964	0	453,710	1,440,674
Instructional Staff	889,894	0	147,620	1,037,514
Board of Education	15,907	0	0	15,907
Administration	1,912,420	0	91,860	2,004,280
Fiscal	798,197	9,494	2,084	809,775
Business	9,237	2,346	119,528	131,111
Operation and Maintenance of Plant	1,824,997	63,569	1,083,723	2,972,289
Operation and Maintenance of Plant - Intergovernmental	14,602	0	0	14,602
Pupil Transportation	1,487,635	1,327	6,481	1,495,443
Central	77,808	0	9,000	86,808
Operation of Non-Instructional Services	6,004	0	1,001,629	1,007,633
Extracurricular Activities	764,524	0	270,365	1,034,889
Capital Outlay	0	0	1,890,770	1,890,770
Debt Service:				
Principal Retirement	121,464	0	0	121,464
Interest and Fiscal Charges	8,912	0	18,975	27,887
Issuance Costs	0	0	5,000	5,000
Total Expenditures	23,149,472	76,736	7,707,586	30,933,794
Excess of Revenues Over (Under) Expenditures	2,075,597	584,406	(1,832,948)	827,055
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	4,700,000	4,700,000
Transfers In	3,724	0	1,159,216	1,162,940
Transfers Out	(1,159,216)	0	(3,724)	(1,162,940)
Total Other Financing Sources (Uses)	(1,155,492)	0	5,855,492	4,700,000
Net Change in Fund Balances	920,105	584,406	4,022,544	5,527,055
Fund Balances Beginning of Year, Restated (See Note 3)	5,286,981	324,775	1,285,217	6,896,973
Fund Balances End of Year	$6,207,086	$909,181	$5,307,761	$12,424,028

See accompanying notes to the basic financial statements

Marlington Local School District

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, 2021

Net Change in Fund Balances - Total Governmental Funds		$5,527,055
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:		
Capital Outlay	3,228,620	
Current Year Depreciation	(773,740)	
Total		2,454,880
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	303,929	
Intergovernmental	132,550	
Tuition and Fees	63,738	
Total		500,217
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Energy Conservation Bonds	80,729	
Capital Leases Payable	40,735	
Total		121,464
Other financing sources and other obligations in the governmental funds increase long-term liabilities in the statement of net position.		
Lease Purchase Agreement	(4,700,000)	
Asset Retirement Obligation	(20,000)	
Total		(4,720,000)
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	(5,671)	
Compensated Absences	(315,926)	
Long-Term Loan Payable	14,602	
Total		(306,995)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	1,923,131	
OPEB	67,252	
Total		1,990,383
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	(2,848,801)	
OPEB	152,154	
Total		(2,696,647)
Change in Net Position of Governmental Activities		$2,870,357

See accompanying notes to the basic financial statements

Marlington Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$11,832,197	$10,849,065	$11,153,121	$304,056
Intergovernmental	11,332,654	10,762,418	10,762,859	441
Interest	113,174	100,000	49,991	(50,009)
Tuition and Fees	2,894,823	2,604,258	2,599,385	(4,873)
Extracurricular Activities	226	200	15,514	15,314
Contributions and Donations	113	100	0	(100)
Customer Sales and Services	39,517	29,705	23,629	(6,076)
Rentals	340	300	100	(200)
Miscellaneous	313,516	500,162	691,368	191,206
Total Revenues	26,526,560	24,846,208	25,295,967	449,759
Expenditures				
Current:				
Instruction:				
Regular	11,508,277	11,144,502	10,462,622	681,880
Special	2,999,695	3,085,585	3,337,978	(252,393)
Vocational	570,452	560,198	490,270	69,928
Support Services:				
Pupils	1,203,327	946,558	1,053,398	(106,840)
Instructional Staff	945,539	1,052,243	888,729	163,514
Board of Education	15,855	22,293	14,597	7,696
Administration	1,955,824	2,075,136	1,933,287	141,849
Fiscal	937,399	798,261	832,168	(33,907)
Business	9,723	9,638	9,347	291
Operation and Maintenance of Plant	1,888,778	1,995,927	1,911,139	84,788
Operation and Maintenance of Plant - Intergovernmental	14,602	14,602	14,602	0
Pupil Transportation	1,639,217	1,590,061	1,506,952	83,109
Central	112,525	120,535	82,805	37,730
Extracurricular Activities	691,085	687,011	777,543	(90,532)
Capital Outlay	48,780	54,489	43,936	10,553
Debt Service:				
Principal	121,464	121,464	121,464	0
Interest	8,912	8,912	8,912	0
Total Expenditures	24,671,454	24,287,415	23,489,749	797,666
Excess of Revenues Over (Under) Expenditures	1,855,106	558,793	1,806,218	1,247,425
Other Financing Sources (Uses)				
Transfers In	0	0	3,724	3,724
Transfers Out	(1,659,360)	(1,644,815)	(1,284,216)	360,599
Total Other Financing Sources (Uses)	(1,659,360)	(1,644,815)	(1,280,492)	364,323
Net Change in Fund Balance	195,746	(1,086,022)	525,726	1,611,748
Fund Balance Beginning of Year - Restated (See Note 3)	6,228,540	6,228,540	6,228,540	0
Prior Year Encumbrances Appropriated	482,909	482,909	482,909	0
Fund Balance End of Year	$6,907,195	$5,625,427	$7,237,175	$1,611,748

See accompanying notes to the basic financial statements

Marlington Local School District

Statement of Fiduciary Net Position

Custodial Fund

June 30, 2021

Assets	
Equity in Pooled Cash and Investments	$100
Liabilities	
Accounts Payable	$100

See accompanying notes to the basic financial statements

Marlington Local School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
June 30, 2021

	Scholarship
Additions	
Extracurricular Activities	$4,150
Deductions	
Distributions to Ohio High School Athletic Association	4,150
Change in Net Position	0
Net Position Beginning of Year - Restated (See Note 3)	0
Net Position End of Year	$0

See accompanying notes to the basic financial statements

Note 1 – Description of the School District and Reporting Entity

The Marlington Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the School District. The School District employs 127 non-certified and 167 certified employees to provide services to approximately 1,906 students in grades K through 12 and various community groups.

Reporting Entity

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

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

The School District is associated with the Stark/Portage Area Computer Consortium, the Stark County Tax Incentive Review Council, and the Alliance Tax Incentive Review Council, which are jointly governed organizations; and the Stark County Schools Council of Governments Health Benefit Plan and the Stark County Schools Council of Governments Workers' Compensation Group Rating Program, which are insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Marlington Local School 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 School District's accounting policies are described as follows.

Basis of Presentation

The School 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.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

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. The School District has two categories of funds: governmental and fiduciary.

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

> ***General Fund*** The general fund is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for or reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund The permanent improvement fund is used to account for and report restricted property tax revenue used for the acquisition, construction, or improvement of capital assets for the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's custodial fund accounts for amounts held for the benefit of the Ohio High School Athletic Association.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the School 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 and 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 (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from the custodial fund.

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 11 and 12).

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.

Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and investments."

During fiscal year 2021, investments were limited to a money market account, Federal Farm Credit Bank Notes, negotiable certificates of deposits reported at fair value, and State Treasury Asset Reserve of Ohio (STAR Ohio).

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of $100 million or more. STAR Ohio reserves the right to limit the transactions to $250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statues, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to $37,125 which includes $2,983 assigned from other School 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 School District are presented on the financial statements as cash equivalents. Investments that are not part of the cash management pool with an initial maturity of more than three months are reported as investments.

Inventory

Inventories are presented at the lower of cost or market value and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is five thousand dollars. The School 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 and construction in progress, 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	Governmental Activities Estimated Lives
Land Improvements	10-20 years
Buildings and Improvements	50 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	10 years

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the governmental activities column of the statement of net position.

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. The School District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees age 50 or greater with at least 10 years of service and all employees with 15 years of service at any age.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure 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 who has accumulated unpaid leave is paid.

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

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

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The Board of Education also assigned fund balance for adult education and public school support.

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.

The School 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.

Net Position

Net position represents the difference between all other elements in the statement of net 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 includes food service and instruction.

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

Estimates

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

Budgetary Data

All funds, other than custodial 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 set annual limits on expenditures plus encumbrances 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. The Treasurer has been authorized to allocate Board appropriations to the function and object level 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 School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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 year.

Note 3 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position

For fiscal year 2021, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

Restatement of Fund Balance/Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Fund Balance June 30, 2020	$5,277,294	$324,775	$549,328	$6,151,397
Adjustments:				
GASB 84	9,687	0	735,889	745,576
Restated Fund Balance June 30, 2020	$5,286,981	$324,775	$1,285,217	$6,896,973

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

	Governmental Activities
Net Position June 30, 2020	($4,721,108)
Adjustments:	
GASB 84	745,576
Restated Net Position June 30, 2020	($3,975,532)

	Fiduciary Funds
	Private Purpose Trust
Net Position June 30, 2020	$667,157
Assets/Liabilities Agency Funds June 30, 2020	0
Adjustments:	
GASB Statement 84	(667,157)
Restated Net Position June 30, 2020	$0

Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds, at June 30, 2020, agency funds reported assets and liabilities of $78,333. The School District will be reporting one custodial fund under GASB 84; however, this fund had beginning net position of $0. The general fund budgetary statement beginning fund balance was also restated from $6,228,471 to $6,228,540.

For fiscal year 2021, the School District also implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2019-1. These changes were incorporated in the School District's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting 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 basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Investments are reported at cost (budget basis) rather than at fair value (GAAP basis).

3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

4. Budgetary revenues and expenditures of the public school support, termination benefits, and welfare funds are reclassified to the general fund for GAAP reporting.

5. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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	$920,105
Net Adjustment for Revenue Accruals	(157,965)
Beginning Fair Value Adjustments for Investments	106,565
Ending Fair Value Adjustments for Investments	(67,950)
Net Adjustment for Expenditure Accruals	452,447
Perspective Differences:	
Public School Support	(11,854)
Termination Benefits	11,372
Welfare	(869)
Encumbrances	(726,125)
Budget Basis	$525,726

Note 5 – Accountability

At June 30, 2021, the following funds had deficit fund balances:

	Amount
Other Governmental Funds:	
Title VI-B IDEA	$34,659
Title I	43,551
Title II-A	9,870
Miscellaneous Federal Grants	3,972

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 – Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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.

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

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

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

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

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

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

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

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

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

8. Certain bankers' acceptances (for a period not to exceed 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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Investments

Investments are reported at fair value or amortized cost. As of June 30, 2021, the School District had the following investments and maturities:

Measurement/Investment	Measurement Amount	Maturities	Standard &Poor's Rating	Percent of Total Investments
Fair Value - Level 1 Inputs:				
Money Market	$23,145	Less than one year	N/A	0.47 %
Fair Value - Level 2 Inputs:				
Federal Farm Credit Bank Notes	127,251	Less than three years	AA+	2.59
Negotiable Certificates of Deposits	1,781,287	Less than three years	N/A	36.26
Net Asset Value Per Share:				
STAR Ohio	2,980,595	54.4 Days	AAAm	N/A
Total	$4,912,278			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2021. The money market account is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020 on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected in calendar year 2021 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2021, are available to finance fiscal year 2021 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, 2021, 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, 2021 was $418,693 in the general fund and $22,779 in the permanent improvement fund. The amount available as an advance at June 30, 2020, was $354,357 in the general fund and $19,298 in the permanent improvement fund. The difference was in the timing and collection by the County Auditor.

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 deferred.

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

	2020 Second-Half Collections		2021 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$403,409,510	92.69 %	$384,481,150	81.16 %
Public Utilitiy Personal	31,803,150	7.31	89,257,930	18.84
Total	$435,212,660	100.00 %	$473,739,080	100.00 %
Tax rate per $1,000 of assessed valuation	$56.90		$56.90	

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Balance 6/30/20	Additions	Deductions	Balance 6/30/21
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$2,696,863	$0	$0	$2,696,863
Construction in Progress	365,802	2,928,939	(1,398,971)	1,895,770
Total Capital Assets, not being Depreciated	3,062,665	2,928,939	(1,398,971)	4,592,633
Capital Assets, being Depreciated:				
Land Improvements	3,435,523	0	0	3,435,523
Buildings and Improvements	14,550,156	1,600,189	0	16,150,345
Furniture, Fixtures and Equipment	4,047,149	98,463	0	4,145,612
Vehicles	2,939,513	0	0	2,939,513
Total Capital Assets, being Depreciated	24,972,341	1,698,652	0	26,670,993
Less Accumulated Depreciation:				
Land Improvements	(2,052,537)	(101,752)	0	(2,154,289)
Buildings and Improvements	(7,089,627)	(290,009)	0	(7,379,636)
Furniture, Fixtures and Equipment	(2,005,508)	(149,594)	0	(2,155,102)
Vehicles	(1,637,842)	(232,385)	0	(1,870,227)
Total Accumulated Depreciation	(12,785,514)	(773,740) *	0	(13,559,254)
Total Capital Assets, being Depreciated, net	12,186,827	924,912	0	13,111,739
Governmental Activities Capital Assets, Net	$15,249,492	$3,853,851	($1,398,971)	$17,704,372

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$127,640
Special	1,021
Vocational	6,939
Support Services:	
Instructional Staff	7,729
Administration	968
Business	26,065
Operation and Maintenance of Plant	351,040
Pupil Transportation	223,129
Central	310
Operation of Non-Instructional Services	11,377
Extracurricular Activities	17,522
Total Depreciation Expense	$773,740

Note 9 – Receivables

Receivables at June 30, 2021 consisted of taxes, accounts, intergovernmental grants, accrued interest, and interfund. 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 year guarantee of federal funds. All receivables except for a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivable follows:

	Amount
Governmental Activities:	
ESSER Grant	$277,225
Title I Grant	189,582
Migrant Children Grant	165,878
State Foundation Adjustments	161,959
Title VI-B Grant	119,959
SERS Refund	34,001
Medicard Reimbursement	22,679
Title II-A Grant	20,528
Deisel Fuel Tax	12,179
Title IV-A	9,085
Coronavirus Rural Grant	8,992
Workers' Compensation Rebate	2,799
Total Governmental Activities	$1,024,866

Note 10 – Risk Management

Property and Liability

The School 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 2021, the School District contracted with Liberty Mutual Insurance for the following coverages:

Type of Coverage	Coverage	Deductible
Liability	$1,000,000/$2,000,000	$0
School Leaders Errors/Ommissions	$1,000,000/$1,000,000	$2,500
Law Enforcement Liability	$1,000,000/$1,000,000	$2,500
Sexual Misconduct/Molestation	$1,000,000/$1,000,000	$2,500
Employers Stop Gap Liability	$1,000,000/$1,000,000/$1,000,000	$0
Employee Benefits Liability	$1,000,000/$3,000,000	$1,000
Excess Liability/Umbrella	$10,000,000/$10,000,000	$10,000
Fleet Insurance	$1,000,000 liability	$250/$500
Property Insurance	$78,607,486	$5,000
Violent Event Response Coverage	$1,000,000	$0
Crime	$100,000	$1,000

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

Workers' Compensation

The School District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Incorporated (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The School District has chosen to participate in the group retrospective rating program for fiscal year 2021. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

Note 11 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position 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 School 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.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 health care 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 12 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $471,957 for fiscal year 2021. Of this amount, $48,292 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be 5 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 of 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 Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account, and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was $1,451,174 for fiscal year 2021. Of this amount, $251,709 is reported as an intergovernmental payable.

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09464430%	0.08367825%	
Prior Measurement Date	0.09863530%	0.08135626%	
Change in Proportionate Share	-0.00399100%	0.00232199%	
Proportionate Share of the Net Pension Liability	$6,259,973	$20,247,158	$26,507,131
Pension Expense	$603,232	$2,245,569	$2,848,801

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$12,159	$45,429	$57,588
Changes of assumptions	0	1,086,882	1,086,882
Net difference between projected and actual earnings on pension plan investments	397,381	984,622	1,382,003
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	17,253	359,505	376,758
School District contributions subsequent to the measurement date	471,957	1,451,174	1,923,131
Total Deferred Outflows of Resources	$898,750	$3,927,612	$4,826,362
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$129,467	$129,467
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	146,701	427,453	574,154
Total Deferred Inflows of Resources	$146,701	$556,920	$703,621

$1,923,131 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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:			
2022	($75,437)	$482,553	$407,116
2023	65,479	332,080	397,559
2024	165,637	568,841	734,478
2025	124,413	536,044	660,457
Total	$280,092	$1,919,518	$2,199,610

Actuarial Assumptions – SERS

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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 rebalanced uncorrelated asset classes.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$8,575,399	$6,259,973	$4,317,287

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, are presented as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3.00 percent
Cost of Living Adjustments (COLA)	0.00 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the 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 Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 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 July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$28,828,430	$20,247,158	$12,975,247

Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides health care 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 the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, 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 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was $67,252.

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 School District's contractually required contribution to SERS was $67,252 for fiscal year 2021, which is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The 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 – The Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to postemployment 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, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.09646180%	0.08367825%	
Prior Measurement Date	0.10129300%	0.08135626%	
Change in Proportionate Share	-0.00483120%	0.00232199%	
Proportionate Share of the:			
Net OPEB Liability	$2,096,430	$0	$2,096,430
Net OPEB (Asset)	$0	($1,470,644)	($1,470,644)
OPEB Expense	($38,448)	($113,706)	($152,154)

At June 30, 2021, the School 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	$27,534	$94,232	$121,766
Changes of assumptions	357,369	24,277	381,646
Net difference between projected and actual earnings on OPEB plan investments	23,622	51,540	75,162
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	48,153	8,208	56,361
School District contributions subsequent to the measurement date	67,252	0	67,252
Total Deferred Outflows of Resources	$523,930	$178,257	$702,187
Deferred Inflows of Resources			
Differences between expected and actual experience	$1,066,181	$292,931	$1,359,112
Changes of assumptions	52,804	1,396,865	1,449,669
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	198,834	88,157	286,991
Total Deferred Inflows of Resources	$1,317,819	$1,777,953	$3,095,772

$67,252 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2022. 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:			
2022	($174,753)	($406,027)	($580,780)
2023	(173,044)	(371,141)	(544,185)
2024	(173,322)	(358,904)	(532,226)
2025	(161,251)	(324,835)	(486,086)
2026	(127,848)	(68,266)	(196,114)
Thereafter	(50,923)	(70,523)	(121,446)
Total	($861,141)	($1,599,696)	($2,460,837)

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

The 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 11.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of 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 future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2034, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	$2,565,979	$2,096,430	$1,723,140

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$1,650,780	$2,096,430	$2,692,380

Actuarial Assumptions – STRS

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

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 percent ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 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, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 11.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate 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, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	($1,279,556)	($1,470,644)	($1,632,775)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	($1,622,711)	($1,470,644)	($1,285,403)

Note 13 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum 70 and 71 days, respectively.

In addition to severance, certified employees meeting certain criteria are entitled to an incentive bonus of $15,000. Employees retiring the first time they are eligible to retire based on STRS eligibility will receive the bonus. Classified employees with at least 20 years of service to the School District are eligible for an additional severance of up to $5,000 in addition to payment for accrued sick leave. During fiscal year 2021, one employee qualified for the bonus.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Schools Council of Governments Health Benefits Program. Coverage in the amount of $60,000 and $50,000 is provided to all certified and classified employees, respectively.

Insurance Benefits

The School District also provides medical/surgical insurance, prescription drug, and dental insurance through the Stark County Schools Council of Governments to all eligible employees. Employees have the option of choosing a traditional comprehensive plan with 80 percent co-payment of major medical expenses after deductibles or a Preferred Provider Organization (Medical Mutual or Aultcare) plan with 90 percent co-pay of major medical expenses after deductibles.

Note 14 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

	Amount Outstanding 6/30/20	Additions	Deletions	Amount Outstanding 6/30/21	Amounts Due in One Year
Governmental Activities:					
Net Pension Liability:					
SERS	$5,901,523	$358,450	$0	$6,259,973	$0
STRS	17,991,448	2,255,710	0	20,247,158	0
Total Net Pension Liability	23,892,971	2,614,160	0	26,507,131	0
Net OPEB Liability:					
SERS	2,547,305	0	450,875	2,096,430	0
Energy Conservation Bonds (2.3%)	374,409	0	80,729	293,680	81,493
Lease Purchase Agreement	0	4,700,000	0	4,700,000	638,000
Capital Lease Payable	82,346	0	40,735	41,611	41,611
Long-Term Loan Payable	408,853	0	14,602	394,251	14,602
Asset Retirement Obligation	0	20,000	0	20,000	0
Compensated Absences	1,177,044	644,729	328,803	1,492,970	199,456
Total Governmental Activities	$28,482,928	$7,978,889	$915,744	$35,546,073	$975,162

During fiscal year 2015, the School District issued $779,685 in energy conservation bonds, which will be used for the modification and remodeling of School District buildings to conserve energy. These bonds will be paid from the general fund and will mature in fiscal year 2025. At June 30, 2021, $3,692 of the bond proceeds were unspent.

On March 5, 2021, the School District entered into a $4,700,000 base lease and lease-purchase agreement with Consumers National Bank for the construction, improvement, furnishing and equipping of project facilities related to renovating and improving the elementary schools. The initial term of the lease expires on June 30, 2021, with the right to renew for successive one-year terms (with a final partial-year term through June 1, 2028). The lease payments will be paid from property taxes received from the Nexus pipeline revenues in the capital improvement capital projects fund. The lease proceeds were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The lease proceeds have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to Consumers National Bank, and then subleased back to the School District. The lease proceeds were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for seven successive one-year terms through fiscal year 2028 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make semi-annual base rent payments, subject to the lease terms and appropriations. The base rent includes an interest component of 1.69 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture. The School District had $2,804,230 in unspent proceeds as of June 30, 2021.

Information regarding the capital leases can be found in Note 15.

Long-term loan payable represents a long-term contractual agreement with the City of Alliance. During fiscal year 2017, the School District entered into a water service agreement with the City of Alliance to provide the School District with potable water services via the design and construction of a water main line. The School District agreed to be responsible for its portion of the project costs. During fiscal year 2020, the project was finalized and the School District's portion is 58.06 percent, or $438,057. The School District will make semi-annual payments of $7,301 to the City of Alliance.

There is no repayment schedule for the net pension liability or the net OPEB liability; however, employer pension and OPEB plan contributions are made from the general fund and food service, IDEA part B, Title I, and improving teacher quality special revenue funds. The asset retirement obligation will be paid from the general fund. Compensated absences will be paid from the general fund and food service, IDEA part B, Title I, and improving teacher quality special revenue funds.

The School District's overall legal debt margin was $42,636,517 with an unvoted debt margin of $473,739 as of June 30, 2021. Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2021 are as follows:

	Energy Conservation Bonds		Long-term Loan Payable
	Principal	Interest	Principal
2022	$81,493	$6,378	$14,602
2023	83,404	4,466	14,602
2024	85,355	2,516	14,602
2025	43,428	508	14,602
2026	0	0	14,602
2027 - 2031	0	0	73,010
2032 - 2036	0	0	73,010
2037 - 2041	0	0	73,010
2042 - 2046	0	0	73,010
2047 - 2049	0	0	29,201
	$293,680	$13,868	$394,251

Note 15 – Capital Leases

During fiscal year 2019, the School District entered into capital leases with Apple, Incorporated for Macbooks, which will end in fiscal year 2022. These leases meet the criteria for capital leases.

The Macbooks individually fell below the capitalization threshold to record as capital assets.

The agreement provides for minimum annual lease payments as follows:

	Governmental Activities
2022	$42,506
Less: Amount Representing Interest	(895)
Present Value of Minimum Lease Payments	$41,611

Note 16 – Set-Asides

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

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

	Capital Acquisition
Set-aside Restricted Balance as of June 30, 2020	$0
Current Year Set-aside Requirement	360,082
Permanent Improvement Levy Offset	(560,639)
Qualifying Disbursements	(115,426)
Totals	($315,983)
Set-aside Restricted Balance as of June 30, 2021	$0
Set-aside Balance Carried Forward to Fiscal Year 2022	$0

Although the School District had a qualifying offset and 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 – Jointly Governed Organizations

Stark/Portage Area Computer Consortium The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and educational service centers from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within SPARCC. The Stark County Educational Service Center serves as the fiscal agent of SPARCC and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. Marlington Local School District paid $83,601 to SPARCC during fiscal year 2021 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 6057 Strip Avenue NW, North Canton, Ohio 44720.

Stark County Tax Incentive Review Council The Stark County Tax Incentive Review Council (TIRC) is a jointly governed organization, created as an advisory council pursuant to State statutes. TIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The TIRC reviews and evaluates the performance of each Enterprise Zone Agreement.

This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

Alliance Tax Incentive Review Council The Alliance Tax Incentive Review Council (ATIRC) is a jointly governed organization, created as an advisory council pursuant to State statutes. ATIRC has various members, including the School District's Superintendent. The ATIRC reviews and evaluates the performance of Enterprise Zone Agreements. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of the ATIRC. The continued existence of the ATIRC is not dependent upon the School District's continued participation and no measurable equity interest exists.

Note 18 – Insurance Purchasing Pools

Stark County Schools Council of Governments Health Benefit Plan The Stark County Schools Council of Governments Health Benefit Plan (Consortium) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Stark County Schools Council of Governments Workers' Compensation Group Rating Program The Stark County Schools Council of Government Workers' Compensation Group Rating Program has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and representatives who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the School District with other members of the group. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Incorporated to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on the percentage created by comparing its payroll to the total payroll of the group.

Note 19 – Contingencies

Litigation

The School District is not party to legal proceedings.

Grants

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

School Foundation

In fiscal year 2021, School District foundation funding was 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 fiscal year 2021 adjustment resulted in a payable to the School District in the amount of $12,584.

Lease

The Board of Education entered into seven "Paid-Up" Oil and Gas Leases effective July 27, 2011 and continuing through July 27, 2021 with the Chesapeake Oil Company. In consideration of the execution of the leases, the School District received lease payments of $260,380. The School District has a total of 177.55 acres subject to the lease provisions which call for payments to the lessor of royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 12.5 percent for oil or gas. The total carrying value of the land leased is $618,500. As of the date of financial statements, the value of any potential royalties cannot be determined and the School District has not received any financial compensation beyond the lease payments.

Note 20 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	$726,125
Permanent Improvement	144,642
Other Governmental Funds	2,909,294
Total	$3,780,061

Note 21 – Fund Balance

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

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:				
Materials and Supplies Inventory	$178,986	$0	$1,713	$180,699
Prepaid Items	36,939	0	0	36,939
Unclaimed Monies	65	0	0	65
Total Nonspendable	215,990	0	1,713	217,703
Restricted for:				
Capital Outlay	0	909,181	2,807,922	3,717,103
District Managed Student Activities	0	0	113,555	113,555
Scholarships	0	0	663,581	663,581
Instruction	0	0	94,885	94,885
Other Purposes	0	0	612,580	612,580
Total Restricted	0	909,181	4,292,523	5,201,704
Committed to:				
Capital Outlay	0	0	1,105,577	1,105,577
Underground Storage Tanks	10,000	0	0	10,000
Employee Retirements	116,200	0	0	116,200
Total Committed	126,200	0	1,105,577	1,231,777
Assigned to:				
Purchases on Order:				
Instruction	196,744	0	0	196,744
Support Services	180,803	0	0	180,803
Extracurricular Activities	45	0	0	45
Adult Education	3,335	0	0	3,335
Welfare	11,883	0	0	11,883
Public School Support	49,012	0	0	49,012
Total Assigned	441,822	0	0	441,822
Unassigned (Deficit)	5,423,074	0	(92,052)	5,331,022
Total Fund Balances (Deficit)	$6,207,086	$909,181	$5,307,761	$12,424,028

Note 22 – Interfund Transactions

Interfund Transfers

Interfund transfers made during fiscal year 2021 consisted of a transfer from the general fund to the capital projects fund in the amount of $1,159,216 to support construction in progress and capital outlay expenditures. The motorcycle training and education grant fund transferred $3,724 to the general fund to return unused grant funds.

Interfund Balances

Interfund balances at June 30, 2021, consisted of the following:

	Interfund Balances June 30, 2021	
	Receivables	Payables
General	$404,954	$0
Other Governmental Funds:		
Title I: Migrant Children	0	25,534
Title VI-B IDEA	0	34,361
Title I	0	54,117
Coronavirus Relief - Rural	0	3,011
Cares Act Funding	0	277,226
Title II-A	0	7,399
Miscellaneous Federal Grants	0	3,306
Total Other Governmental Funds	0	404,954
Total Governmental Funds	$404,954	$404,954

As of June 30, 2021, all interfund balances outstanding are anticipated to be repaid in one year. Advances were originally made to cover negative cash balances in various funds.

Note 23 –Asset Retirement Obligations

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a School District classified as an "owner" or "operator," to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of $20,000 associated with the School District's underground storage tanks was estimated by the School District. The UST is fully depreciated. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

Note 24 – 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 2021, the School District received Coronavirus Aid, Relief, and 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. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 25 – Subsequent Events

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported $1,652,605 in revenues and expenditures/expense related to these programs. Also during fiscal year 2021, the School District reported $2,076,195 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Required Supplementary Information

Marlington Local School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

*Last Eight Fiscal Years (1) **

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.09464430%	0.09863530%	0.09697670%	0.09994500%
School District's Proportionate Share of the Net Pension Liability	$6,259,973	$5,901,523	$5,554,036	$5,971,494
School District's Covered Payroll	$3,300,457	$3,375,889	$3,297,052	$3,358,007
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.67%	174.81%	168.45%	177.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available.
An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

2017	2016	2015	2014
0.10239520%	0.10786740%	0.10574700%	0.10574700%
$7,494,384	$6,155,019	$5,351,795	$6,288,435
$3,198,914	$3,224,560	$3,363,481	$3,120,038
234.28%	190.88%	159.11%	201.55%
62.98%	69.16%	71.70%	65.52%

Marlington Local School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

*Last Five Fiscal Years (1) **

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.09646180%	0.10129300%	0.09884670%	0.10151780%	0.10380400%
School District's Proportionate Share of the Net OPEB Liability	$2,096,430	$2,547,305	$2,742,275	$2,724,471	$2,958,798
School District's Covered Payroll	$3,300,457	$3,375,889	$3,297,052	$3,358,007	$3,198,914
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	63.52%	75.46%	83.17%	81.13%	92.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available.
An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

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Marlington Local School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

*Last Eight Fiscal Years (1) **

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.08367825%	0.08135626%	0.08315865%	0.08294966%
School District's Proportionate Share of the Net Pension Liability	$20,247,158	$17,991,448	$18,284,721	$19,704,870
School District's Covered Payroll	$10,210,514	$9,601,879	$9,497,021	$9,432,943
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	198.30%	187.37%	192.53%	208.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available.
An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

2017	2016	2015	2014
0.08641839%	0.08860979%	0.08977432%	0.08977432%
$28,926,840	$24,489,154	$21,836,221	$26,011,164
$9,152,943	$9,227,800	$9,173,547	$9,576,546
316.04%	265.38%	238.03%	271.61%
66.80%	72.10%	74.70%	69.30%

Marlington Local School District, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)

State Teachers Retirement System of Ohio

*Last Five Fiscal Years (1) **

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.08367825%	0.08135626%	0.08315865%	0.08294966%	0.08641839%
School District's Proportionate Share of the Net OPEB Liability (Asset)	($1,470,644)	($1,347,456)	($1,336,275)	$3,236,389	$4,621,678
School District's Covered Payroll	$10,210,514	$9,601,879	$9,497,021	$9,432,943	$9,152,943
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.40%	-14.03%	-14.07%	34.31%	50.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.13%	174.74%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available.
An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the Required Supplementary Information

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Marlington Local School District, Ohio

Required Supplementary Information

Schedule of School District Contributions

School Employees Retirement System of Ohio

Last Ten Fiscal Years

	2021	2020	2019	2018
Net Pension Liability:				
Contractually Required Contribution	$471,957	$462,064	$455,745	$445,102
Contributions in Relation to the Contractually Required Contribution	(471,957)	(462,064)	(455,745)	(445,102)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$3,371,121	$3,300,457	$3,375,889	$3,297,052
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%
Net OPEB Liability:				
Contractually Required Contribution (2)	$67,252	$53,690	$79,695	$71,946
Contributions in Relation to the Contractually Required Contribution	(67,252)	(53,690)	(79,695)	(71,946)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.99%	1.63%	2.36%	2.18%
Total Contributions as a Percentage of Covered Payroll (2)	15.99%	15.63%	15.86%	15.68%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge.

See accompanying notes to the Required Supplementary Information

2017	2016	2015	2014	2013	2012
$470,121	$447,848	$424,997	$440,616	$408,725	$403,183
(470,121)	(447,848)	(424,997)	(440,616)	(408,725)	(403,183)
$0	$0	$0	$0	$0	$0
$3,358,007	$3,198,914	$3,224,560	$3,363,481	$3,120,038	$2,997,646
14.00%	14.00%	13.18%	13.10%	13.10%	13.45%
$55,777	$52,687	$83,788	$58,758	$58,145	$70,795
(55,777)	(52,687)	(83,788)	(58,758)	(58,145)	(70,795)
$0	$0	$0	$0	$0	$0
1.66%	1.65%	2.60%	1.75%	1.86%	2.36%
15.66%	15.65%	15.78%	14.85%	14.96%	15.81%

Marlington Local School District, Ohio

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2021	2020	2019	2018
Net Pension Liability:				
Contractually Required Contribution	$1,451,174	$1,429,472	$1,344,263	$1,329,583
Contributions in Relation to the Contractually Required Contribution	(1,451,174)	(1,429,472)	(1,344,263)	(1,329,583)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$10,365,529	$10,210,514	$9,601,879	$9,497,021
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability:				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the Required Supplementary Information

2017	2016	2015	2014	2013	2012
$1,320,612	$1,281,412	$1,291,892	$1,192,549	$1,244,951	$1,328,163
(1,320,612)	(1,281,412)	(1,291,892)	(1,192,549)	(1,244,951)	(1,328,163)
$0	$0	$0	$0	$0	$0
$9,432,943	$9,152,943	$9,227,800	$9,173,547	$9,576,546	$10,216,638
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
$0	$0	$0	$91,735	$95,765	$102,166
0	0	0	(91,735)	(95,765)	(102,166)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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 as follows:

	Beginning in Fiscal Year 2017	Fiscal Year 2016 and Prior
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 expenses, including inflation	7.75 percent net of investment expenses, 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.

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 as follows:

	Beginning in Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent	3.50 percent
Cost of Living Adjustments (COLA)	0.00 percent, effective July 1, 2017	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2.00 percent per year; for members retiring August 1, 2013, or later, 2.00 percent COLA commences on fifth anniversary of retirement 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.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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 percent.

Changes in Benefit Terms – STRS

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 1, 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.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Total Federal Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Summer Food Service Program for Children	10.559	049882-3GE0-2020	$12,125	
Summer Food Service Program for Children	10.559	049882-3GE0-2021	847,690	$71,394
COVID-19 Summer Food Service Program for Children	10.559	049882-3GE0-2021	117,449	
Total Child Nutrition Cluster			977,264	71,394
Total U.S. Department of Agriculture			**977,264**	**71,394**
U.S. DEPARTMENT OF THE TREASURY				
Passed Through Ohio Department of Education				
COVID-19 Coronavirus Relief Fund	21.019	049882-5CV1-2021	262,482	
Passed Through Lexington Township				
COVID-19 Coronavirus Relief Fund	21.019	Not Available	4,500	
Passed Through Washington Township				
COVID-19 Coronavirus Relief Fund	21.019	Not Available	55,317	
Total COVID-19 Coronavirus Relief Fund			322,299	
Total U.S. Department of the Treasury			**322,299**	
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies	84.010	049882-3M00-2020	87,316	
Title I Grants to Local Educational Agencies	84.010	049882-3M00-2021	405,697	
Total Title I Grants to Local Educational Agencies			493,013	
Migrant Educational State Grant Program	84.011	049882-3EH0-2020	95,994	
Migrant Educational State Grant Program	84.011	049882-3EH0-2021	46,722	
Total Migrant Educational State Grant Program			142,716	
Special Education Grants to States	84.027	049882-3M20-2021	361,230	
Total Special Education Cluster			361,230	
Supporting Effective Instruction State Grants	84.367	049882-3Y60-2020	14,916	
Supporting Effective Instruction State Grants	84.367	049882-3Y60-2021	73,699	
Total Supporting Effective Instruction State Grants			88,615	
Student Support and Academic Enrichment Program	84.424	049882-3HI0-2020	1,776	
Student Support and Academic Enrichment Program	84.424	049882-3HI0-2021	29,986	
Student Support and Academic Enrichment Program			31,762	
COVID-19 Education Stabilization Fund	84.425D	049882-3HS0-2021	2,165,669	
Total U.S. Department of Education			**3,283,005**	
Total Expenditures of Federal Awards			**$4,582,568**	**$71,394**

The accompanying notes are an integral part of this schedule.

MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Marlington Local School District (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

The District commingles 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 E – 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.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

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

Program Title	CFDA Number	Amt. Transferred
Coronavirus Relief Fund	21.019	$51
Title I Grants to Local Educational Agencies	84.010	$53,951
Migrant Educational State Grant Program	84.011	$28,568
Special Education Grants to States	84.027	$1,121

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

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

Marlington Local School District
Stark County
10320 Moulin Avenue Northeast
Alliance, Ohio 44601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental each major fund, and the aggregate remaining fund information of the Marlington Local School District, Stark County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2022, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 84. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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

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

Marlington Local School District
Stark County
10320 Moulin Avenue Northeast
Alliance, Ohio 44601

To the Board of Education:

Report on Compliance for the Major Federal Programs

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Education Stabilization Fund

As described in finding 2021-001 in the accompanying schedule of findings, the District did not comply with requirements regarding *Special Tests and Provisions – Wage Rate Requirements* applicable to its Education Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Education Stabilization Fund* paragraph, Marling Local School District, Stark County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its Education Stabilization Fund for the year ended June 30, 2021.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Marlington Local School District, Stark County, Ohio complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2021-001.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Keith Faber
Auditor of State
Columbus, Ohio

April 25, 2022

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MARLINGTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	Yes
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Child Nutrition Cluster – Unmodified COVID19-Education Stabilization Fund – Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster COVID19-Education Stabilization Fund
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Prevailing Wage Rate Requirements

Finding Number:	**2021-001**
CFDA Number and Title:	**84.425D- COVID19 Education Stabilization Fund**
Federal Award Identification Number / Year:	**2021**
Federal Agency:	**U.S. Department of Education**
Compliance Requirement:	**Special Tests and Provisions – Wage Rate Requirements**
Pass-Through Entity:	**Ohio Department of Education**
Repeat Finding from Prior Audit?	**No**

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR § 3474.1 provides the Department of Education (DOE) adopts the Office of Management and Budget (OMB) Guidance in 2 CFR part 200. Thus, this section§ gives regulatory effect to the OMB guidance and supplements the guidance as needed for the DOE, except as otherwise noted in that section.

2 CFR part 200, Appendix II(D), states that the "Davis-Bacon Act, as amended (40 U.S.C. 3141-3148), provides when required by Federal program legislation, all prime construction contracts in excess of $2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144 and 3146-3148) as supplemented by Department of Labor regulations (29 CFR § 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency."

2 CFR § 176.190(a) provides when issuing announcements or requesting applications for Recovery Act programs or activities that may involve construction, alteration, maintenance, or repair the agency shall use the award term described in Section 1606 of the Recovery Act, which "requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of Title 40, U.S.C."

Prevailing Wage Rate Requirements – Material Weakness and Noncompliance – (Continued)

In April 2020, the District entered into an Energy Services Agreement (the Agreement) with Plug Smart. The Agreement included $535,845 for the Marlboro Elementary School Variable Refrigerant Flow (VRF) improvements. The District subsequently paid Plug Smart $536,681 from Elementary and Secondary School Emergency Relief (ESSER) federal grant monies. However, the required prevailing wage rate provision was not included in the Agreement. In addition, the District did not obtain certified payroll reports from Plug Smart to verify prevailing wages were paid.

Lack of proper internal controls over federal grants management lead to the noncompliance. At the time of procurement, the District intended to pay Plug Smart from the Capital Project - Nexus Fund. Therefore, the Agreement did not include prevailing wage provisions.

Failure to notify contractors of the prevailing wage rate requirements may result in noncompliance with the Davis-Bacon Act requirements as well as potentially reduce future federal grant funding.

The District should ensure contracts for construction in excess of $2,000 paid with federal grant monies include a provision that contractors comply with the prevailing wage rate provisions and ensure certified payroll reports are provided by the contractor weekly. The District should maintain the certified payroll reports to document compliance with the program requirements. The District should report all suspected violations to the Federal awarding agency.

Official's Response:
See the corrective action plan.

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Marlington Local School District
10320 Moulin Ave. | Alliance, OH 44601 | ph: 330.823.7458 | fx: 330.823.7759 | www.marlingtonlocal.org

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

Finding Number:	2021-001
Planned Corrective Action:	See Below
Anticipated Completion Date:	04/21/2022
Responsible Contact Person:	Patty Main, Treasurer

The District is aware of the requirement in Federal program legislation to ensure inclusion of the prevailing wage rate provision in Agreements, as well as to obtain certified payroll reports to verify prevailing wages were paid.

At the time the District entered into the Agreement with PlugSmart to renovate Marlboro Elementary which was April, 2020, ESSER funds were not awarded to the District. The District planned on using its Capital Projects Fund (a non-federal program sourced Fund) to pay PlugSmart. The District initially paid PlugSmart from the Capital Projects Fund for the installation of heating/hvac unit at Marlboro Elementary.

Once the ESSER funds were awarded, they allowed for previous expenses related to improving air quality to be included as part of reimbursement through the ESSER Funds. The District confirmed with PlugSmart via email that prevailing wage requirements would be met, however, the Agreement was not modified, nor was the documentation to support that the prevailing wage requirements were met even after several attempts to collect from PlugSmart and the related subcontractor.

The District has implemented the following Action Plan for Correction:

1) The Treasurer will ensure that all Agreements intended to be sourced through Federal Programs will contain Prevailing Wage rate provisions <u>prior to</u> signing such agreements.

2) The Treasurer will ensure that invoices from contractors contain the necessary prevailing wage certified payroll reports <u>prior to</u> approving such invoices for payment from Federal Programs.

3) The Treasurer will educate the Payables and Budgetary Clerks regarding prevailing wage documentation requirements to ensure appropriate documentation is obtained prior to payment to Contractors and prior to requesting funds from Federal Programs.

Patty Main

Patty Main, Treasurer

4-21-22

Date

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OHIO AUDITOR OF STATE
KEITH FABER

MARLINGTON LOCAL SCHOOL DISTRICT

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 6/2/2022

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