



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Northeastern Local School District  
Defiance County  
05751 Domersville Road  
Defiance, Ohio 43512-6703

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeastern Local School District, Defiance 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 cash 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 cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Emphasis of Matter***

As discussed in Note 17 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 this matter.

***Other Matters***

***Supplementary Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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

March 31, 2022

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**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 13,001,100
Investments	2,603,310
Total assets	15,604,410
 <b>Net position:</b>	
Restricted for:	
Capital projects	1,783,482
Classroom facilities maintenance	585,418
Debt service	242,807
State funded programs	128,489
Food service operations	9,800
Extracurricular activities	124,915
Other purposes	19,014
Unrestricted	12,710,485
Total net position	\$ 15,604,410

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular	\$ 5,594,128	\$ 1,372,383	\$ 105,336		\$ (4,116,409)
Special	1,493,710	9,727	464,287		(1,019,696)
Vocational	122,839		5,318		(117,521)
Other	979,452				(979,452)
Support services:					
Pupil	953,660		53,547		(900,113)
Instructional staff	574,409		10,790		(563,619)
Board of education	80,732				(80,732)
Administration	881,022	15,357			(865,665)
Fiscal	483,426				(483,426)
Operations and maintenance	816,000		11,235		(804,765)
Pupil transportation	793,760				(793,760)
Central	64,048		10,248		(53,800)
Operation of non-instructional services:					
Food service operations	544,802	60,103	494,009		9,310
Other non-instructional services	13,209				(13,209)
Extracurricular activities	421,905	106,797	2,597		(312,511)
Facilities acquisition and construction	12,537,594			\$ 163,127	(12,374,467)
Debt service:					
Principal retirement	605,000				(605,000)
Interest and fiscal charges	884,257				(884,257)
<b>Total governmental activities</b>	<b>\$ 27,843,953</b>	<b>\$ 1,564,367</b>	<b>\$ 1,157,367</b>	<b>\$ 163,127</b>	<b>(24,959,092)</b>
<b>General receipts:</b>					
Property taxes levied for:					
General purposes				10,867,050	
Debt service				1,233,342	
Classroom facilities maintenance				171,948	
Payment in lieu of taxes				72,670	
Grants and entitlements not restricted to specific programs				3,423,110	
Grants for permanent improvement projects				1,639,531	
Investment earnings				176,873	
Miscellaneous				58,726	
<b>Total general receipts</b>				<b>17,643,250</b>	
Change in net position				(7,315,842)	
<b>Net position at beginning of year</b>				<b>22,920,252</b>	
<b>Net position at end of year</b>				<b>\$ 15,604,410</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 11,380,370	\$ 136,513	\$ 33,951	\$ 1,450,266	\$ 13,001,100
Investments		1,481,267	970,323	151,720	2,603,310
Total assets	<u>\$ 11,380,370</u>	<u>\$ 1,617,780</u>	<u>\$ 1,004,274</u>	<u>\$ 1,601,986</u>	<u>\$ 15,604,410</u>
<b>Fund balances:</b>					
Restricted:					
Debt service				\$ 242,807	\$ 242,807
Capital improvements		\$ 1,617,780		165,702	1,783,482
Classroom facilities maintenance				585,418	585,418
Food service operations				9,800	9,800
State funded programs				128,489	128,489
Extracurricular activities				124,915	124,915
Facilities maintenance	\$ 7,937				7,937
Other purposes				11,077	11,077
Committed:					
Capital improvements			\$ 1,004,274	433,959	1,438,233
Assigned:					
Student instruction	77,742				77,742
Staff and staff support	523,353				523,353
Extracurricular activities	812				812
Facilities acquisition and construction	6,193				6,193
Subsequent year's appropriations	654,587				654,587
Non-instructional services	2,550				2,550
Unassigned (deficit)	10,107,196			(100,181)	10,007,015
Total fund balances	<u>\$ 11,380,370</u>	<u>\$ 1,617,780</u>	<u>\$ 1,004,274</u>	<u>\$ 1,601,986</u>	<u>\$ 15,604,410</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>General Fund</b>	<b>Classroom Facilities Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>					
Property taxes	\$ 10,867,050			\$ 1,405,290	\$ 12,272,340
Intergovernmental	3,459,369	\$ 1,639,531		1,111,824	6,210,724
Investment earnings	121,279	52,266	\$ 3,328		176,873
Tuition and fees	1,382,110				1,382,110
Extracurricular	15,357			106,797	122,154
Charges for services				60,103	60,103
Contributions and donations	12,750		163,127	2,597	178,474
Payment in lieu of taxes	72,670				72,670
Miscellaneous	13,710			6,687	20,397
<b>Total receipts</b>	<b>15,944,295</b>	<b>1,691,797</b>	<b>166,455</b>	<b>2,693,298</b>	<b>20,495,845</b>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular	5,483,670			110,458	5,594,128
Special	1,184,200			309,510	1,493,710
Vocational	122,839				122,839
Other	979,452				979,452
Support services:					
Pupil	827,047			126,613	953,660
Instructional staff	563,619			10,790	574,409
Board of education	80,732				80,732
Administration	881,022				881,022
Fiscal	455,356			28,070	483,426
Operations and maintenance	803,338			12,662	816,000
Pupil transportation	793,760				793,760
Central	47,759			16,289	64,048
Operation of non-instructional services:					
Food service operations				544,802	544,802
Other non-instructional services	8,577			4,632	13,209
Extracurricular activities	266,373			155,532	421,905
Facilities acquisition and construction	58,990	7,358,442	5,104,019	16,143	12,537,594
Debt service:					
Principal retirement				605,000	605,000
Interest and fiscal charges				884,257	884,257
<b>Total disbursements</b>	<b>12,556,734</b>	<b>7,358,442</b>	<b>5,104,019</b>	<b>2,824,758</b>	<b>27,843,953</b>
Excess of receipts over (under) disbursements	3,387,561	(5,666,645)	(4,937,564)	(131,460)	(7,348,108)
<b>Other financing sources (uses):</b>					
Proceeds from sale of assets	32,266				32,266
Transfers in			3,000,000	900	3,000,900
Transfers (out)	(3,000,900)				(3,000,900)
<b>Total other financing sources (uses)</b>	<b>(2,968,634)</b>		<b>3,000,000</b>	<b>900</b>	<b>32,266</b>
Net change in fund balances	418,927	(5,666,645)	(1,937,564)	(130,560)	(7,315,842)
<b>Fund balances at beginning of year</b>	<b>10,961,443</b>	<b>7,284,425</b>	<b>2,941,838</b>	<b>1,732,546</b>	<b>22,920,252</b>
<b>Fund balances at end of year</b>	<b>\$ 11,380,370</b>	<b>\$ 1,617,780</b>	<b>\$ 1,004,274</b>	<b>\$ 1,601,986</b>	<b>\$ 15,604,410</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property taxes	\$ 9,494,000	\$ 10,939,000	\$ 10,867,050	\$ (71,950)
Intergovernmental	3,407,248	3,543,973	3,459,369	(84,604)
Investment earnings	115,000	15,000	121,279	106,279
Tuition and fees	1,144,600	1,431,925	1,382,110	(49,815)
Charges for services	5,400	5,400		(5,400)
Contributions and donations		12,750	12,750	
Payment in lieu of taxes	35,000	72,700	72,670	(30)
Miscellaneous	5,950	13,740	13,710	(30)
<b>Total receipts</b>	<u>14,207,198</u>	<u>16,034,488</u>	<u>15,928,938</u>	<u>(105,550)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	6,165,358	6,179,302	5,789,432	389,870
Special	1,493,174	1,500,109	1,185,638	314,471
Vocational	129,679	133,992	123,868	10,124
Other	1,009,418	1,009,418	987,292	22,126
Support services:				
Pupil	995,133	984,633	828,491	156,142
Instructional staff	727,051	728,883	571,466	157,417
Board of education	165,141	164,889	86,642	78,247
Administration	932,117	931,012	871,100	59,912
Fiscal	539,002	541,937	460,438	81,499
Operations and maintenance	1,233,109	1,235,938	1,016,938	219,000
Pupil transportation	975,602	1,185,917	1,038,319	147,598
Central	573,580	573,580	47,824	525,756
Operation of non-instructional services				
Other non-instructional services	29,378	30,878	11,127	19,751
Extracurricular activities	296,201	296,101	267,184	28,917
Facilities acquisition and construction	80,981	78,942	65,183	13,759
<b>Total disbursements</b>	<u>15,344,924</u>	<u>15,575,531</u>	<u>13,350,942</u>	<u>2,224,589</u>
Excess of receipts over (under) disbursements	<u>(1,137,726)</u>	<u>458,957</u>	<u>2,577,996</u>	<u>2,119,039</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	50,000	238,350	238,327	(23)
Refund of prior year's receipts	(25,000)	(25,000)		25,000
Transfers (out)	(75,000)	(3,075,000)	(3,000,900)	74,100
Advances (out)	(25,000)	(25,000)		25,000
Proceeds from sale of assets	20,000	32,275	32,266	(9)
<b>Total other financing sources (uses)</b>	<u>(55,000)</u>	<u>(2,854,375)</u>	<u>(2,730,307)</u>	<u>124,068</u>
<b>Net change in fund balance</b>	<u>(1,192,726)</u>	<u>(2,395,418)</u>	<u>(152,311)</u>	<u>2,243,107</u>
<b>Fund balance at beginning of year</b>	10,270,811	10,270,811	10,270,811	
<b>Prior year encumbrances appropriated</b>	<u>651,220</u>	<u>651,220</u>	<u>651,220</u>	
<b>Fund balance at end of year</b>	<u>\$ 9,729,305</u>	<u>\$ 8,526,613</u>	<u>\$ 10,769,720</u>	<u>\$ 2,243,107</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 1 – REPORTING ENTITY**

Northeastern Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under a locally elected Board form of government consisting of five members elected at large for staggered four year terms. The District provides educational services to residents of the District as authorized by state and federal guidelines.

The Board oversees the operations of the District’s three instructional/support facilities which are staffed by 54 noncertified and 87 certified part-time and full-time teaching personnel. The District’s average daily membership for the fiscal year ended June 30, 2021 was 1,026 students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

The reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**B. Other Organizations**

The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements but described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were \$194,556. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 to NBEC during this fiscal year for a membership fee. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, at 209 Nolan Parkway, Archbold, Ohio 43502.

Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were \$40,183. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

State Support Team Region 1

The State Support Team Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improved Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood Counties. House Bill 115 established the Educational Resource System and required the creation of a coordinated, integrated, and aligned system to support state and school district efforts to improve school effectiveness and student achievement. Resulting from House Bill 115, the Ohio Department of Education established a 16-region system consisting of a State Support Team for each of the 16 regions, which has a fiscal agent for each region. The fiscal agent for the SSTR1 is the Educational Service Center of Lake Erie West. The SSTR1 Executive Director and Single Point of Contact is Lynn McKahan. Contract information is available at [www.sstr1.org](http://www.sstr1.org). Financial information can be obtained from the Educational Service Center of Lake Erie West, 2275 Collingwood, Toledo, Ohio 43620.

*GROUP PURCHASING POOLS*

Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Plan). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Rev. Code § 9.833. The Plan is a public entity shared risk pool consisting of educational entities throughout the State. The Plan is governed by OHI and its participating members. Total disbursements made by the District to NBHP/OHI for employee insurance benefits during this fiscal year were \$1,477,480. Financial information can be obtained from Charlie LeBoeuf, Treasurer, at 201 East 5<sup>th</sup> Street, Suite 2100, Cincinnati, Ohio 45202.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan (NBHP), Northern Division of Ohio Health Initiatives (OHI) Workers' Compensation Group Rating Program (WCGRP) was established through OHI as an insurance purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District's enrollment fee of \$256 was used to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by § 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid \$68,521 for those services to SORSA during fiscal year 2021.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. The District works with First Insurance Group, a local agent, as a liaison between SORSA and the District. SORSA employs an Executive Director, Program Manager, Risk Control Manager, and Claims Manager. Claims are handled in-house by Claims Manager, Greg Gilliam. Additional information can be obtained from SORSA at 555 Metro Place North, Suite 645, Dublin, Ohio 43017 or by calling 866-767-7299.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

As discussed in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**A. Basis of Accounting**

Although required by Ohio Administrative Code 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.



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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and government-wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The District does not have any proprietary and fiduciary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed, primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions. The following are the District's major governmental funds.

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

Classroom Facilities Fund – The Classroom Facilities Fund accounts for and reports monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Capital Projects Fund – The Capital Projects Fund accounts for and reports various capital improvement projects related to the District's Locally Funded Initiatives (LFI) portion of the Ohio Facilities Construction Commission project.

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

**C. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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 – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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The Statement of Net Position – Cash Basis presents the cash balance of the governmental activities of the District at fiscal year-end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each function or program of the District’s governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District, within certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the general receipts of the District.

*Fund Financial Statements* – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

**D. Budgetary Process**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund, function, object level within the General Fund and the fund, special cost center level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below these levels are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. The budgetary fund balance on the budgetary statements is cash minus outstanding encumbrances.

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At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool with exception of debt proceeds utilized for construction of new District facilities. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in pooled cash and cash equivalents" on the basic financial statements.

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

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

During fiscal year 2021, investments were limited to investments in federal agency securities, negotiable certificates of deposit, commercial paper, U.S. Treasury obligations, a money market mutual fund, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost, except for the money market mutual fund and STAR Ohio. The money market mutual fund is recorded at the amount reported by U.S. Bank at June 30, 2021.

STAR 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 District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes, 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 \$121,279, which includes \$14,282 assigned from other District funds.

**F. Inventory and Prepaid Items**

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

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**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting.

**H. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid. The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations.

**J. Fund Balance**

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

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the District's Board of Education. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education or a District official delegated by that authority by resolution or by State statute. State statute authorizes the District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. All other net position that does not meet the definition of restricted are reported as unrestricted net position.

The District's policy is first to apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. There are no amounts restricted by enabling legislation.

**L. Interfund Activity**

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

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

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

**N. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. 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.

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the District has applied GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*.” GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**B. Compliance**

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

**C. Deficit Fund Balances**

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

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
ESSER/Cares Act Fund	\$ 4,632
Coronavirus Relief Fund	11,505
Title I Fund	70,698
Title II-A Fund	13,346

The General Fund is liable for any deficit in these funds and provides transfers when cash is required. The deficit fund balances resulted from advance spending of approved grant monies.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to 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 that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years after 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);
8. Certain banker's acceptance (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 forty percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$100 in undeposited cash on hand which is part of “Equity in pooled cash and cash equivalents”.

**B. Deposits**

At June 30, 2021, the carrying amount of all District deposits was \$7,015,939 and the bank balance was \$7,076,357. Of the bank balance, \$6,801,356 was covered by the FDIC, \$10,016 was covered by specific collateral pledged by the financial institution, and \$264,985 was covered by pooled collateral through the Ohio Pooled Collateral System (OPCS). Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>NAV/ Fair Value</u>	<u>Investment Maturities</u>		
			<u>12 months or less</u>	<u>13 to 24 months</u>	<u>Greater than 24 months</u>
FHLB Bonds	\$ 490,000	\$ 488,793			\$ 488,793
Negotiable CDs	3,683,682	3,706,818	\$ 498,067	\$ 913,288	2,295,463
Commercial Paper	851,736	852,099	852,099		
U.S. Treasury Obligations	773,053	780,698	780,698		
STAR Ohio	2,781,702	2,781,702	2,781,702		
Money Market Mutual Fund	8,198	8,198	8,198		
<b>Total</b>	<b>\$ 8,588,371</b>	<b>\$ 8,618,308</b>	<b>\$ 4,920,764</b>	<b>\$ 913,288</b>	<b>\$ 2,784,256</b>

The weighted average maturity of investments is 1.20 years.

STAR Ohio is measured at net asset value (NAV), the District’s investment in a money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs), and the remaining investments are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).



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*Interest Rate Risk:* For an investment, interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District’s investment policy does not address investment interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments mature within five years from the date of purchase unless they are matched to a specific obligation of the District. State statute limits investments in commercial paper to a maximum of 270 days from the date of purchase.

*Credit Risk:* The District’s investments in federal agency securities and U.S. Treasury obligations were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. STAR Ohio and the money market mutual fund both carry a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District’s investments in commercial paper were rated P-1 by Moody’s Investor Services and A-1 or A-1+ by Standard & Poor’s. The District’s investments in negotiable CDs were not rated. The District’s investment policy does not address investment credit risk beyond the requirements of State statutes.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable CD’s are covered by FDIC. The federal agency securities, U.S. Treasury obligations, and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent, but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon delivery of securities representing such investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
FHLB Bonds	\$ 490,000	5.71
Negotiable CDs	3,683,682	42.89
Commercial Paper	851,736	9.92
U.S. Treasury Obligations	773,053	9.00
STAR Ohio	2,781,702	32.39
Money Market Mutual Fund	8,198	0.09
Total	<u>\$ 8,588,371</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2021:

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<u>Cash and Investments Per Note</u>	
Carrying amount of deposits	\$ 7,015,939
Investments	8,588,371
Cash on hand	100
Total	<u><u>\$ 15,604,410</u></u>
 <u>Cash and Investments Per Statement of Net Position - Cash Basis</u>	
Governmental Activities	<u><u>\$ 15,604,410</u></u>

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

Interfund transfers for the fiscal year ended June 30, 2021, consisted of the following, as reported on the fund statements:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 900
Capital Projects Fund	General Fund	3,000,000
		<u><u>\$ 3,000,900</u></u>

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**B. Interfund Loans**

Advances originally recorded in fiscal year 2020 from the General Fund to the Nonmajor Governmental Food Service Fund and the Public School Support Fund (which rolls up into the General Fund for financial reporting purposes) in the amounts of \$3,500 and \$1,500, respectively, remain outstanding as of June 30, 2021.

The purpose of advances is to provide temporary assistance from the General Fund to another District fund(s) or to return the money of the General Fund. Advances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 – PROPERTY TAXES**

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

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

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

The District receives property taxes from Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 218,901,260	52.13	\$ 215,872,220	51.27
Public utility personal	201,030,010	47.87	205,198,570	48.73
<b>Total</b>	<b>\$ 419,931,270</b>	<b>100.00</b>	<b>\$ 421,070,790</b>	<b>100.00</b>
Tax rate per \$1,000 of assessed valuation	\$48.15		\$48.55	

**NOTE 7 – RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc., an insurance purchasing pool, for insurance coverage.

Coverages provided are as follows:

Property Insurance	\$ 46,185,418
Equipment Breakdown	250,000
Automobile Liability	15,000,000
Wrongful Acts	15,000,000
Crime Coverage	1,000,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Program for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. Monthly premiums for life insurance are paid to American United Life Insurance. NBHP is responsible for the management and operations of the Program. The agreement with NBHP provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Ohio Health Initiatives (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Plan is governed by the NBHP and the participating members of the Plan. The Executive Director of the NBHP coordinates the management and administration of the program.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

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

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

***Net Pension Liability/Net OPEB Liability/(Asset)***

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

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

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

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

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

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

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

Plan Description – 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. 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.

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

The District's contractually required contribution to SERS was \$207,404 for fiscal year 2021.

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

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

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

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

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

The DC Plan allows members to place all 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 after termination of employment at age 50 and after termination of employment.

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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 District's contractually required contribution to STRS was \$771,308 for fiscal year 2021.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04415290%	0.04315560%	
Proportion of the net pension liability current measurement date	0.04079220%	0.04371389%	
Change in proportionate share	-0.00336070%	0.00055829%	
Proportionate share of the net pension liability	\$ 2,698,082	\$ 10,577,206	\$ 13,275,288

***Actuarial Assumptions – SERS***

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

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

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

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

Wage 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 was 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 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.

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

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



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**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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 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%)
District's proportionate share of the net pension liability	\$ 3,696,043	\$ 2,698,082	\$ 1,860,774

**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 below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0 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:

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

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

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

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 15,060,100	\$ 10,577,206	\$ 6,778,327

**NOTE 9 – DEFINED BENEFIT OPEB PLANS**

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

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

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

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 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 District's surcharge obligation was \$26,109.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$26,109 for fiscal year 2021.

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

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

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability (asset) prior measurement date	0.04500350%	0.04315560%	
Proportion of the net OPEB liability (asset) current measurement date	<u>0.04212810%</u>	<u>0.04371389%</u>	
Change in proportionate share	<u>-0.00287540%</u>	<u>0.00055829%</u>	
Proportionate share of the net OPEB liability (asset)	\$ 915,581	\$ (768,271)	\$ 147,310

***Actuarial Assumptions – SERS***

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

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

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

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

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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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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 %	

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**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 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 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, 2024 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 District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 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%)
District's proportionate share of the net OPEB liability	\$ 1,120,649	\$ 915,581	\$ 752,553
	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%)
District's proportionate share of the net OPEB liability	\$ 720,951	\$ 915,581	\$ 1,175,853

**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 below:

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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.

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

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

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate 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. 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 District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** – The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as 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%)
District's proportionate share of the net OPEB (asset)	\$ (668,446)	\$ (768,271)	\$ (852,969)
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB (asset)	\$ (847,712)	\$ (768,271)	\$ (671,500)

**NOTE 10 – COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 61.25 days for certified employees and 61.25 days for non-certified employees.



**NORTHEASTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**NOTE 11 – LONG-TERM OBLIGATIONS**

During fiscal year 2021, the following changes occurred in the District’s long-term obligations:

	Balance Outstanding 06/30/20	Additions	Reductions	Balance Outstanding 06/30/21	Amounts Due in One Year
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
Series 2015 refunding	\$ 2,815,000		\$ (435,000)	\$ 2,380,000	\$ 445,000
Series 2018A	12,240,000		(100,000)	12,140,000	110,000
Series 2018B	8,355,000		(70,000)	8,285,000	75,000
Total long-term obligations	<u>\$23,410,000</u>		<u>\$ (605,000)</u>	<u>\$22,805,000</u>	<u>\$ 630,000</u>

Series 2015 Refunding General Obligation Bonds

On June 23, 2015, the District issued general obligation bonds to advance refund the outstanding Series 2005 current interest bonds. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a voted debt tax levy.

The issuance proceeds of \$4,046,950 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). At June 30, 2021, \$2,510,000 of defeased debt was outstanding.

This issue is comprised of current interest bonds, par value \$4,105,000, bearing an annual interest rate of 2.18 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026.

Series 2018A and 2018B General Obligation Bonds

On March 20, 2018, the District issued the Series 2018A and Series 2018B general obligation bonds to provide resources for school facilities construction and improvement. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a voted debt tax levy.

The issuances are comprised of current interest serial and term bonds, par value \$21,150,000, bearing annual interest rates ranging from 2.0 percent to 5.0 percent. Interest payments on the bonds are due on May 1 and November 1 of each year. The final maturity date is November 1, 2054.

The bonds maturing after November 1, 2026 will be subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after November 1, 2026, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The Series 2018A term bonds maturing November 1, 2031, November 1, 2035, November 1, 2038, November 1, 2043, November 1, 2048, and November 1, 2054 are subject to mandatory sinking fund redemption prior to stated maturity.

The Series 2018B term bonds maturing November 1, 2033, November 1, 2038, November 1, 2043, November 1, 2048, and November 1, 2054 are subject to mandatory sinking fund redemption prior to stated maturity.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2021 are as follows:

Fiscal Year Ending June 30,	General Obligation Series 2015 Refunding Current Interest Bonds			General Obligation Series 2018 Current Interest Serial and Term Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 445,000	\$ 47,034	\$ 492,034	\$ 185,000	\$ 821,381	\$ 1,006,381
2023	455,000	37,224	492,224	195,000	813,781	1,008,781
2024	465,000	27,196	492,196	210,000	805,681	1,015,681
2025	475,000	16,950	491,950	245,000	796,582	1,041,582
2026	490,000	6,431	496,431	255,000	785,307	1,040,307
2027 - 2031	50,000	545	50,545	1,655,000	3,701,035	5,356,035
2032 - 2036				2,375,000	3,203,260	5,578,260
2037 - 2041				3,030,000	2,615,010	5,645,010
2042 - 2046				3,685,000	1,951,303	5,636,303
2047 - 2051				4,420,000	1,203,385	5,623,385
2052 - 2055				4,170,000	319,875	4,489,875
<b>Total</b>	<b>\$ 2,380,000</b>	<b>\$ 135,380</b>	<b>\$ 2,515,380</b>	<b>\$ 20,425,000</b>	<b>\$ 17,016,600</b>	<b>\$ 37,441,600</b>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$15,333,099 (including available funds of \$242,807) and an unvoted debt margin of \$421,059.

**NOTE 12 – SET-ASIDE REQUIREMENTS**

The District is required by State law 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 year must be held in cash at fiscal year-end. This amount must be 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 improvements. Disclosure of this information is required by State statute.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

	Capital Improvements
Set-aside balance June 30, 2020	
Current year set-aside requirement	\$ 198,458
Current year offsets	(3,174,318)
Total	\$ (2,975,860)
Set-aside balance June 30, 2021	

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

**NOTE 13 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the cash basis, 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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

- (a) Outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned, committed, or restricted fund balance (cash basis); and,
- (b) Some funds are included in the General Fund (cash basis) but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	General Fund
Budget basis	\$ (152,311)
Funds budgeted elsewhere **	1,791
Adjustment for encumbrances	569,447
Cash basis	\$ 418,927

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate Special Revenue Funds are considered part of the General Fund on a cash basis. This includes the Public School Support Fund.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**NOTE 14 – OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are a reservation of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 572,192
Classroom Facilities Fund	1,285,149
Capital Projects Fund	784,107
Nonmajor Governmental Funds	<u>49,832</u>
Total	<u>\$ 2,691,280</u>

**NOTE 15 – CONTINGENCIES**

**A. Grants**

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds will be immaterial.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. School Foundation**

In fiscal year 2021, 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. FTE Statement No. 2 was made on November 12, 2021 and resulted in the District owing ODE \$1,426. This amount is not recorded in the financial statements.

**NOTE 16 – TAX ABATEMENTS**

Defiance County provide tax abatements through Community Reinvestment Areas (CRAs) and Enterprise Zones (EZones).

CRA – Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA’s are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

EZone – Under the authority of ORC Sections 5709.62 and 5709.63, the EZone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An EZone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An EZone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the Agreement) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The CRA and EZone agreements affect the property tax receipts collected and distributed to the District. During fiscal year 2021, the District's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
CRA	\$ 81,185
Ezone	83,884
Total	<u>\$ 165,069</u>

**NOTE 17 – 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 District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. 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 18 – SUBSEQUENT EVENTS**

On September 14, 2021, the Board entered into a base lease and lease-purchase agreement with Farmers and Merchants State Bank in accordance with Ohio Revised Code Section 3313.375 to provide financing in the amount of \$6,000,000 for constructing, improving, furnishing, and equipping the District's new auditorium facility (Tinora Performing Arts Center). The first scheduled lease payment is due December 1, 2021 at an interest rate of 1.6 percent.

For fiscal year 2022, 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 District were funding to the District who, in turn, made the payment to the educating school. For fiscal year 2021, the District reported \$962,249 in revenues and expenditures/expenses related to these programs. Also, during fiscal year 2021, the District reported \$1,181,216 in tuition and fees from the resident school district which will be direct funded to the 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 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.

NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance	10.555		\$ 359,319
Non-Cash Assistance (Food Distribution)	10.555		41,157
COVID-19 National School Lunch Program	10.555		29,595
Total National School Lunch Program			<u>430,071</u>
School Breakfast Program			
Cash Assistance	10.553		92,831
COVID-19 School Breakfast Program	10.553		6,144
Total School Breakfast Program			<u>98,975</u>
Total Child Nutrition Cluster			<u>529,046</u>
Total U.S. Department of Agriculture			<u>529,046</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		151,294
Supporting Effective Instruction State Grants	84.367		26,205
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	\$ 220,274	220,274
Special Education Preschool Grants	84.173	6,612	6,612
Total Special Education Cluster		<u>226,886</u>	<u>226,886</u>
COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D		4,632
Total U.S. Department of Education		<u>226,886</u>	<u>409,017</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
<i>Passed Through Ohio Office of Budget and Management</i>			
COVID-19 Coronavirus Relief Fund	21.019		59,722
Total U.S. Department of the Treasury			<u>59,722</u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 226,886</b></u>	<u><b>\$ 997,785</b></u>

The accompanying notes are an integral part of this schedule.

**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northeastern Local School District, Defiance County, Ohio (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 to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education (ODE) to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E – 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 F – 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 benefited from the use of those donated food commodities.

**NOTE G – 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:

NORTHEASTERN LOCAL SCHOOL DISTRICT  
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS – (Continued)

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 1,056
Special Education Grants to States	84.027	2,864
Supporting Effective Instruction State Grants	84.367	47
Student Support and Academic Enrichment Program	84.424	22,195



# OHIO AUDITOR OF STATE KEITH FABER



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

Northeastern Local School District  
Defiance County  
05751 Domersville Road  
Defiance, Ohio 43512-6703

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeastern Local School District, Defiance 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 and have issued our report thereon dated March 31, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the 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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2021-002 to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***District's Responses to Findings***

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

***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

March 31, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northeastern Local School District  
Defiance County  
05751 Domersville Road  
Defiance, Ohio 43512-6703

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Northeastern Local School District, Defiance County, Ohio'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 Northeastern Local School District's major federal program 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 program.

### ***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 program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program 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 program. However, our audit does not provide a legal determination of the District's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2021-003 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement and suspension and debarment applicable to its Child Nutrition Cluster 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 Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Northeastern Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2021.

***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 the 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 2021-003.

Northeastern Local School District  
Defiance County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to the Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 3

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and 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

March 31, 2022

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**NORTHEASTERN LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

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

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

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

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

**FINDING NUMBER 2021-001**

**Noncompliance**

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

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

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

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

**Officials' Response:**

See Corrective Action Plan

**FINDING NUMBER 2021-002**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Equity in pooled cash and cash equivalents within the General Fund in the amount of \$5,985,061 was incorrectly classified as investments on the Statement of Assets and Fund Balances – Cash Basis. This amount was also incorrectly classified on the Statement of Net Position – Cash Basis.

This error was the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct this error. In addition to the adjustment noted above, we also identified additional misstatements ranging from \$643 to \$14,094.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and the Board, to help identify and correct errors and omissions.

**Officials' Response:**

See Corrective Action Plan



**3. FINDINGS FOR FEDERAL AWARDS**

**Child Nutrition Cluster – Procurement and Suspension and Debarment**

<b>Finding Number:</b>	<b>2021-003</b>
<b>CFDA Number and Title:</b>	<b>CFDA # 10.553 and 10.555 Child Nutrition Cluster</b>
<b>Federal Agency Identification Number / Year:</b>	<b>2021</b>
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Compliance Requirement:</b>	<b>Procurement and Suspension and Debarment</b>
<b>Pass-Through Agency:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Noncompliance and Material Weakness**

**2 CFR § 417.10** gives regulatory effect for the U.S. Department of Agriculture to the Office of Management and Budget (OMB) guidance, as supplemented by this part. This part adopts the OMB guidance in **subparts A through I of 2 CFR part 180**. Per **2 CFR § 417.20**, pertinent portions of the OMB guidance in **subparts A through I of 2 CFR part 180** apply to participants or principals in “covered transactions.” **2 CFR 180.305** states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred, unless the Federal agency responsible for the transaction grants an exception under **2 CFR § 180.135**. “Covered transactions” include nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed \$25,000 or meet certain other specified criteria outlined in **2 CFR § 180.220**. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless listed in the exemptions in **2 CFR § 180.215**.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions ([www.sam.gov](http://www.sam.gov)); collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

District Policy #6325, Procurement – Federal Grants/Funds, states that for contracts over \$25,000, the District shall confirm that the vendor is not debarred or suspended by either checking the Federal government’s System for Award Management, which maintains a list of such debarred or suspended vendors at [www.sam.gov](http://www.sam.gov); collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor.

The District did not have the proper internal controls in place to verify that all entities, with whom the District had entered into covered transactions, had not been suspended or debarred. During testing of procurement and suspension and debarment for the Child Nutrition Cluster, we noted an instance in which the program had a payment to a vendor of more than \$25,000 and there was no evidence the District checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. Due to the deficient internal control structure, the required verification was not completed for Arps Dairy, one of two covered transactions in the Child Nutrition Cluster during fiscal year 2021.

Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the District should verify the vendor is not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

**Officials' Response:**

See Corrective Action Plan

# Northeastern Local School District

MICHAEL BOFF  
Board Member

JOHN HIGBEA  
Board Member

SHAUN MACK  
Board Member

05921 DOMERSVILLE ROAD  
DEFIANCE, OHIO 43512  
(419) 497-3461  
(419) 497-3401 Fax

NICOLE WELLS  
Superintendent

ERIC WIEMKEN  
Board Member

JENNI SCHWEITZER-AHMED  
Board Member

SARA BUCHHOP  
Treasurer

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	This finding was first reported in 2008. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2021-001 in this report.	This finding reoccurred since management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more efficient. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits.

# Northeastern Local School District

MICHAEL BOFF  
Board Member

JOHN HIGBEA  
Board Member

SHAUN MACK  
Board Member

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Board Member

SARA BUCHHOP  
Treasurer

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

<b>Finding Number:</b>	2021-001
<b>Planned Corrective Action:</b>	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits.
<b>Anticipated Completion Date:</b>	N/A
<b>Responsible Contact Person:</b>	Sara Buchhop, Treasurer
<b>Finding Number:</b>	2021-002
<b>Planned Corrective Action:</b>	The District will review the financial statement errors with the firm that prepares financial reports and monitor these errors going forward.
<b>Anticipated Completion Date:</b>	June 30, 2022
<b>Responsible Contact Person:</b>	Sara Buchhop, Treasurer
<b>Finding Number:</b>	2021-003
<b>Planned Corrective Action:</b>	The District will implement procedures to ensure that qualified vendors who receive over \$25,000 of federal funds have not been suspended or debarred.
<b>Anticipated Completion Date:</b>	June 30, 2022
<b>Responsible Contact Person:</b>	Sara Buchhop, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHEASTERN LOCAL SCHOOL DISTRICT**

**DEFIANCE 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 4/19/2022**

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

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