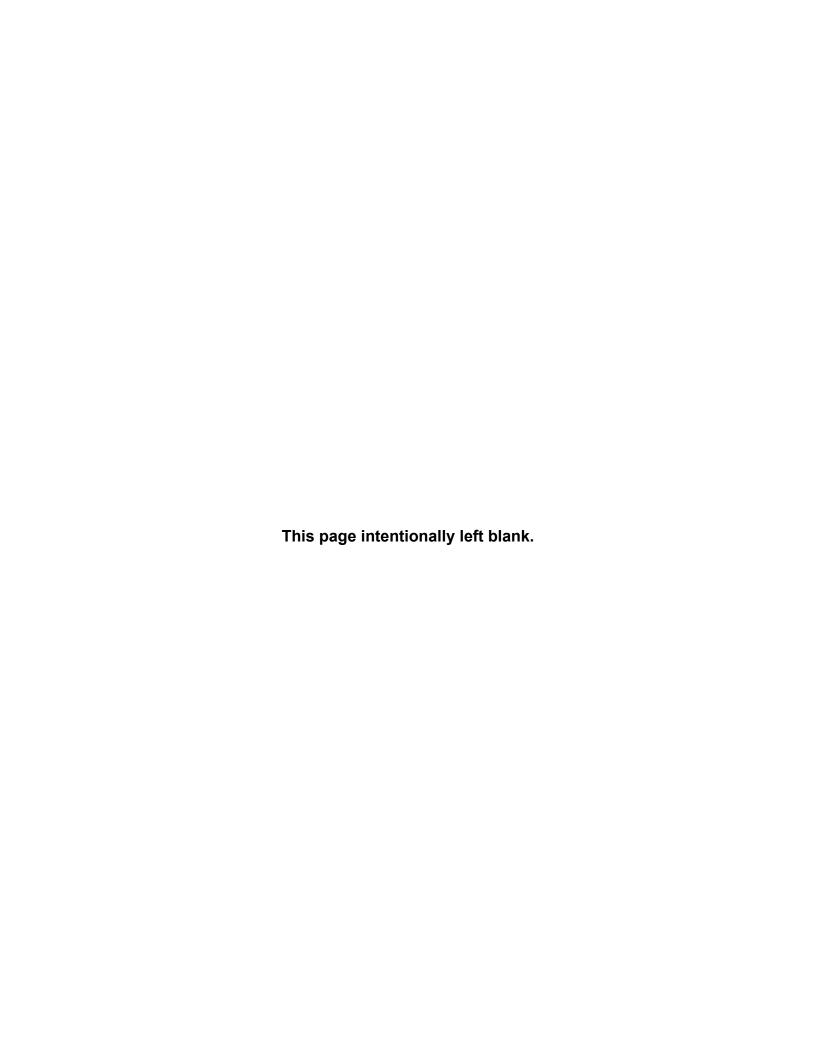




# ANTWERP LOCAL SCHOOL DISTRICT PAULDING COUNTY JUNE 30, 2022

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#### INDEPENDENT AUDITOR'S REPORT

Antwerp Local School District Paulding County 303 South Harrmann Road Antwerp, Ohio 45813-9574

To the Board of Education:

#### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, Ohio (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash-basis of accounting described in Note 2.

#### **Basis for Opinions**

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

#### Emphasis of Matter - Accounting Basis

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

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Antwerp Local School District Paulding County Independent Auditor's Report Page 2

#### Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Antwerp Local School District Paulding County Independent Auditor's Report Page 3

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

#### Supplementary Information

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the School District's basic financial statements.

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

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Keith Faber Auditor of State Columbus, Ohio

March 8, 2023

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Statement of Net Position - Cash Basis June 30, 2022

|  | Governmental<br>Activities |           |
|--|----------------------------|-----------|
| Assets                                     |                            |           |
| Equity in Pooled Cash and Cash Equivalents | \$                         | 8,098,262 |
| Net Position                               |                            |           |
| Restricted for:                            |                            |           |
| Capital Outlay                             |                            | 226,800   |
| Debt Service                               |                            | 92,676    |
| Other Purposes                             |                            | 428,860   |
| Unrestricted                               |                            | 7,349,926 |
|  |                            |           |
| Total Net Position                         | \$                         | 8,098,262 |

Statement of Activities - Cash Basis For the Fiscal Year Ended June 30, 2022

|  |      |             |                       |                            |                 |                 | Rece | (Disbursements) ipts and Changes |
|--|------|-------------|-----------------------|----------------------------|-----------------|-----------------|------|----------------------------------|
|  | Cash |             | Program Cash Receipts |                            |                 |                 |      | Net Position                     |
|  |      |             |                       | harges for                 |                 | rating Grants   | (    | Governmental                     |
|  | Di   | sbursements | Servi                 | ces and Sales              | and             | Contributions   | -    | Activities                       |
| Governmental Activities                  |      |             |                       |                            |                 |                 |      |                                  |
| Current:                                 |      |             |                       |                            |                 |                 |      |                                  |
| Instruction:                             | _    |             | _                     |                            | _               |                 |      |                                  |
| Regular                                  | \$   | 4,462,035   | \$                    | 90,964                     | \$              | 332,311         | \$   | (4,038,760)                      |
| Special                                  |      | 1,224,483   |                       | 108,280                    |                 | 277,396         |      | (838,807)                        |
| Adult/Continuing                         |      | 5,000       |                       |                            |                 |                 |      | (5,000)                          |
| Support Services:                        |      |             |                       |                            |                 |                 |      |                                  |
| Pupil                                    |      | 401,278     |                       |                            |                 | 49,225          |      | (352,053)                        |
| Instructional Staff                      |      | 358,492     |                       |                            |                 | 28,126          |      | (330,366)                        |
| Board of Education                       |      | 13,189      |                       |                            |                 |                 |      | (13,189)                         |
| Administration                           |      | 1,009,960   |                       |                            |                 |                 |      | (1,009,960)                      |
| Fiscal                                   |      | 354,336     |                       |                            |                 |                 |      | (354,336)                        |
| Business                                 |      | 3,543       |                       |                            |                 |                 |      | (3,543)                          |
| Operations and Maintenance of Plant      |      | 1,049,771   |                       |                            |                 | 4,242           |      | (1,045,529)                      |
| Pupil Transportation                     |      | 403,018     |                       |                            |                 |                 |      | (403,018)                        |
| Central                                  |      | 32,419      |                       |                            |                 |                 |      | (32,419)                         |
| Extracurricular Activities               |      | 520,798     |                       | 304,982                    |                 |                 |      | (215,816)                        |
| Operation of Non-Instructional Services: |      |             |                       |                            |                 |                 |      |                                  |
| Food Service Operations                  |      | 282,244     |                       | 47,818                     |                 | 350,960         |      | 116,534                          |
| Community Services                       |      | 6,600       |                       |                            |                 | 4,700           |      | (1,900)                          |
| Capital Outlay                           |      | 1,521,814   |                       |                            |                 |                 |      | (1,521,814)                      |
| Debt Service:                            |      | 225.000     |                       |                            |                 |                 |      | (225,000)                        |
| Principal Retirement                     |      | 235,000     |                       |                            |                 |                 |      | (235,000)                        |
| Interest and Fiscal Charges              |      | 9,300       |                       |                            |                 |                 |      | (9,300)                          |
| Total                                    | \$   | 11,893,280  | \$                    | 552,044                    | \$              | 1,046,960       |      | (10,294,276)                     |
|  |      |             | General I             | Receipts                   |                 |                 |      |                                  |
|  |      |             | Property 7            | Taxes Levied for:          |                 |                 |      |                                  |
|  |      |             | General 1             | •                          |                 |                 |      | 1,799,471                        |
|  |      |             | Debt Ser              |                            |                 |                 |      | 91,589                           |
|  |      |             | Capital C             | Outlay<br>axes Levied for: |                 |                 |      | 149,481                          |
|  |      |             | General               |                            |                 |                 |      | 1,423,569                        |
|  |      |             |                       | Maintenance                |                 |                 |      | 25,189                           |
|  |      |             | _                     | d Entitlements not R       | estricted to Sr | ecific Programs |      | 5,746,023                        |
|  |      |             |                       | in Lieu of Taxes           | 1               | 8               |      | 237,027                          |
|  |      |             | -                     | from Sale of Assets        |                 |                 |      | 2,500                            |
|  |      |             |                       | nt Earnings                |                 |                 |      | 28,165                           |
|  |      |             | Miscellan             | · ·                        |                 |                 |      | 31,324                           |
|  |      |             | Total Gen             | eral Receipts              |                 |                 |      | 9,534,338                        |
|  |      |             | Change in             | Net Position               |                 |                 |      | (759,938)                        |
|  |      |             | Net Positi            | on Beginning of Yea        | r               |                 |      | 8,858,200                        |
|  |      |             | Net Positi            | on End of Year             |                 |                 | \$   | 8,098,262                        |

Statement of Assets and Fund Balances - Cash Basis Governmental Funds June 30, 2022

|  | Ge | eneral Fund            | Gov | Other<br>vernmental<br>Funds | Total<br>Governmental<br>Funds |                                   |
|--|----|------------------------|-----|------------------------------|--------------------------------|-----------------------------------|
| Assets                                       |    | _                      |     | _                            |                                | _                                 |
| Equity in Pooled Cash and Cash Equivalents   | \$ | 7,349,926              | \$  | 748,336                      | \$                             | 8,098,262                         |
| Fund Balances Restricted Assigned Unassigned | \$ | 1,853,475<br>5,496,451 | \$  | 748,336                      | \$                             | 748,336<br>1,853,475<br>5,496,451 |
| Total Fund Balances                          | \$ | 7,349,926              | \$  | 748,336                      | \$                             | 8,098,262                         |

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis Governmental Funds For the Fiscal Year Ended June 30, 2022

|  | Ger | neral Fund | Go | Other<br>vernmental<br>Funds | Go | Total<br>vernmental<br>Funds |
|--|-----|------------|----|------------------------------|----|------------------------------|
| Receipts                                 |     |            |    |                              |    |                              |
| Property and Other Local Taxes           | \$  | 1,799,471  | \$ | 241,070                      | \$ | 2,040,541                    |
| Income Taxes                             | •   | 1,423,569  | •  | 25,189                       | •  | 1,448,758                    |
| Intergovernmental                        |     | 5,644,108  |    | 1,092,614                    |    | 6,736,722                    |
| Investment Income                        |     | 28,165     |    | 200                          |    | 28,365                       |
| Tuition and Fees                         |     | 183,193    |    |                              |    | 183,193                      |
| Extracurricular Activities               |     | 16,090     |    | 304,943                      |    | 321,033                      |
| Gifts and Donations                      |     | 51,061     |    | 5,000                        |    | 56,061                       |
| Charges for Services                     |     | ,          |    | 47,818                       |    | 47,818                       |
| Payment in Lieu of Taxes                 |     | 237,027    |    | ,                            |    | 237,027                      |
| Miscellaneous                            |     | 23,811     |    | 7,513                        |    | 31,324                       |
| Total Receipts                           |     | 9,406,495  |    | 1,724,347                    |    | 11,130,842                   |
| Disbursements                            |     |            |    |                              |    |                              |
| Current:                                 |     |            |    |                              |    |                              |
| Instruction:                             |     |            |    |                              |    |                              |
| Regular                                  |     | 4,020,307  |    | 441,728                      |    | 4,462,035                    |
| Special                                  |     | 917,795    |    | 306,688                      |    | 1,224,483                    |
| Adult/Continuing                         |     | 5,000      |    |                              |    | 5,000                        |
| Support Services:                        |     |            |    |                              |    |                              |
| Pupil                                    |     | 401,278    |    |                              |    | 401,278                      |
| Instructional Staff                      |     | 330,366    |    | 28,126                       |    | 358,492                      |
| Board of Education                       |     | 13,189     |    |                              |    | 13,189                       |
| Administration                           |     | 1,009,960  |    |                              |    | 1,009,960                    |
| Fiscal                                   |     | 345,428    |    | 8,908                        |    | 354,336                      |
| Business                                 |     | 3,543      |    |                              |    | 3,543                        |
| Operations and Maintenance of Plant      |     | 983,762    |    | 66,009                       |    | 1,049,771                    |
| Pupil Transportation                     |     | 353,357    |    | 49,661                       |    | 403,018                      |
| Central                                  |     | 32,419     |    |                              |    | 32,419                       |
| Extracurricular Activities               |     | 228,417    |    | 292,381                      |    | 520,798                      |
| Operation of Non-Instructional Services: |     |            |    |                              |    |                              |
| Food Service Operations                  |     |            |    | 282,244                      |    | 282,244                      |
| Community Services                       |     |            |    | 6,600                        |    | 6,600                        |
| Capital Outlay                           |     | 1,521,814  |    |                              |    | 1,521,814                    |
| Debt Service:                            |     |            |    |                              |    |                              |
| Principal Retirement                     |     |            |    | 235,000                      |    | 235,000                      |
| Interest and Fiscal Charges              |     |            |    | 9,300                        |    | 9,300                        |
| Total Disbursements                      |     | 10,166,635 |    | 1,726,645                    |    | 11,893,280                   |
| Excess of Disbursements Over Receipts    |     | (760,140)  |    | (2,298)                      |    | (762,438)                    |
| Other Financing Sources                  |     |            |    |                              |    |                              |
| Proceeds from Sale of Assets             |     | 2,500      |    |                              |    | 2,500                        |
| Net Change in Fund Balances              |     | (757,640)  |    | (2,298)                      |    | (759,938)                    |
| Fund Balances Beginning of Year          |     | 8,107,566  |    | 750,634                      |    | 8,858,200                    |
| Fund Balances End of Year                | \$  | 7,349,926  | \$ | 748,336                      | \$ | 8,098,262                    |

Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund For the Fiscal Year Ended June 30, 2022

**Budgeted Amounts** 

|  | <br>            |                 |                 |                           |
|--|-----------------|-----------------|-----------------|---------------------------|
|  | <br>Original    | <br>Final       | <br>Actual      | riance with<br>nal Budget |
| Receipts and Other Financing Sources   | \$<br>8,755,399 | \$<br>9,378,015 | \$<br>9,369,609 | \$<br>(8,406)             |
| Disbursements and Other Financing Uses | <br>11,183,035  | <br>11,445,255  | <br>10,280,022  | <br>1,165,233             |
| Net Change in Fund Balance             | (2,427,636)     | (2,067,240)     | (910,413)       | 1,156,827                 |
| Fund Balance Beginning of Year         | 7,905,170       | 7,905,170       | 7,905,170       |                           |
| Prior Year Encumbrances Appropriated   | <br>87,745      | <br>87,745      | <br>87,745      |                           |
| Fund Balance End of Year               | \$<br>5,565,279 | \$<br>5,925,675 | \$<br>7,082,502 | \$<br>1,156,827           |

Statement of Changes in Fiduciary Net Position - Cash Basis Fiduciary Fund For the Fiscal Year Ended June 30, 2022

|  | Cu | stodial |
|--|----|---------|
| Additions  Extracurricular Amounts Collected for Other Organizations   | \$ | 2,600   |
| <b>Deductions</b> Extracurricular Distributions to Other Organizations | \$ | 2,600   |
| Change in Net Position   |    |         |
| Net Position Beginning of Year   |    |         |
| Net Position End of Year   |    |         |

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022

#### NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Paulding County and consists of one facility and is staffed by non-certificated employees and certificated full-time teaching personnel who provide services to students as well as other community members.

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

#### **Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Antwerp Local School District, this includes general operations, food service, and student related activities of the School District.

The School District is associated with three organizations, which are defined as jointly governed organizations, and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, State Support Team Region 1, Ohio School Boards Association Workers' Compensation Group Rating Program, and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan.

#### Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among various educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties, and the Cities of St. Mary's and Wapakoneta. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based on a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Ben Thaxton, Executive Director, 4277 East Road, Elida, Ohio 45807.

<u>Vantage Career Center</u> - The Vantage Career Center (Career Center), which provides vocational education to students, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, in Mercer, Putnam, Paulding, and Van Wert Counties.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

The Career Center possesses its own budgeting and taxing authority. To obtain financial information, write to Laura Peters, the Vantage Career Center Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891.

<u>State Support Team Region 1</u> - 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 Improvement 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. 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. Contact information is available at <a href="https://www.sstr1.org">www.sstr1.org</a>.

#### **Group Purchasing Pools**

Ohio School Boards Association Workers' Compensation Group Rating Program - The School District participates in a group rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Program was established through the Ohio School Boards Association (OSBA) as a group insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating districts pay an enrollment fee to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan - The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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

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

As discussed further in Note 2.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### A. Basis of Presentation

The School 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 and statement of activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

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

#### FUND FINANCIAL STATEMENTS

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

#### B. Fund Accounting

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets or fund equity, receipts and disbursements. Funds of the School District are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

The funds of the financial reporting entity are described below:

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### Governmental Funds/Governmental Activities

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following is the School District's major governmental fund:

General Fund - The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund balance is available to the School District for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

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

#### Fiduciary Fund Types

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

The School District's only fiduciary fund is a custodial fund that is used to account for assets held by the School District as fiscal agent for OHSSA.

#### C. Basis of Accounting

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

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.

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

#### D. Budgetary Process

All funds, except 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 appropriation resolution, all of which are prepared on the budgetary basis of accounting.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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 appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, 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 appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amount 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.

#### E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds, including fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in this pool is presented as "Equity in Pooled Cash and Cash Equivalents."

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are 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 (contra revenue), respectively.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2022 were \$28,165 which includes \$2,735 assigned from other School District funds.

During the fiscal year 2022, the School District invested in STAR Ohio and negotiable certificates of deposit. All investments are reported at cost except for STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates, however, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

#### F. Inventory and Prepaid Items

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

#### G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not reflect these items as assets.

#### H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation and sick. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

#### I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement benefits.

#### J. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds, leases and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a lease or financed purchase agreement is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments and financed purchase payments are reported when paid.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### K. Equity Classifications

#### GOVERNMENT-WIDE STATEMENTS

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

- 1. Restricted net position Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursements for specified purposes.
- 2. Unrestricted net position All other net position that does not meet the definition of "restricted."

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

#### FUND FINANCIAL STATEMENTS

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

- a. Non-spendable The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- b. Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

These amounts are assigned by the School District's Board of Education. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

#### L. Interfund Transactions

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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Transfers within governmental activities are eliminated on the government-wide financial statements.

#### M. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant money is received.

#### N. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2022, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, certain provisions of GASB Statement No. 93, Replacement of Interbank Offered Rates and certain provisions of GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the School District's financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and 2) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

#### O. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/other postemployment benefits (OPEB) liability (asset), information about the fiduciary net position of the retirement 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 member contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

#### P. Leases

For fiscal year 2022, GASB Statement No. 87 "Leases" was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

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

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

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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

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

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

- 1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 limitation including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
- 5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts:
- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed 40 percent of the interim moneys available for investment at any one time if training requirement have been met.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 School District, and must be purchased with the expectation that it will be held to maturity.

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

**Deposits** – At fiscal year-end, of the School District's bank balance of \$5,147,474, \$3,148,417 was covered by pledged collateral, \$770,563 was covered by FDIC, and \$1,228,494 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 School District to a successful claim by the FDIC.

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

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

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

#### **Investments**

As of June 30, 2022, the School District had the following investments:

|                   | Me    | Measurement % of T |             | Maturities             |             |         |
|-------------------|-------|--------------------|-------------|------------------------|-------------|---------|
|                   | Value |                    | Investments | <pre>&lt; 1 year</pre> | 1 - 3 years |         |
| NAV:              |       |                    |             |                        |             |         |
| STAR Ohio         | \$    | 2,534,629          | 80.86%      | \$2,534,629            | \$          | -       |
| Cost:             |       |                    |             |                        |             |         |
| Negotiable CDs    |       | 600,000            | 19.14%      | 200,000                |             | 400,000 |
| Total Investments | \$    | 3,134,629          | 100%        | \$2,734,629            | \$          | 400,000 |
|                   |       |                    |             |                        |             |         |

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

Credit Risk - The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2022, is 35 days and carries a rating of AAAm by S&P Global Ratings. The School District's negotiable certificates of deposit were not rated but are fully covered by FDIC.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 CDs are covered by FDIC. The School 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 the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities are transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation or transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percent of total of each investment type held by the School District at June 30, 2022.

#### **NOTE 4 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Paulding County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, 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 2022 taxes were collected are:

|  | 2021 Sec<br>Half Colle |         | 2022 First-<br>Half Collections |         |  |
|--|------------------------|---------|---------------------------------|---------|--|
|  | Amount                 | Percent | Amount                          | Percent |  |
| Agricultural/Residential and Other         |                        |         |                                 |         |  |
| Real Estate                                | \$79,658,930           | 93%     | \$80,568,130                    | 92%     |  |
| Public Utility                             | 5,794,400              | 7%      | 6,845,680                       | 8%      |  |
| Total                                      | \$85,453,330           | 100%    | \$87,413,810                    | 100%    |  |
| Tax rate per \$1,000 of assessed valuation | \$ 41.80               |         | \$ 41.60                        |         |  |

#### NOTE 5 – INCOME TAXES

The School District levies a tax of 1.5 percent for general operations and building maintenance on the income of residents and of estates. Of the overall 1.5 percent taxes, 0.75 percent is a 5 year renewable tax, last renewed in November 2019, and 0.75 percent of the income tax is a continuing tax. The School District decided to legally restrict 0.5 percent of the income tax levy for building maintenance, in lieu of the ½ millage of property tax allocation for these uses.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund and Classroom Facilities Maintenance Fund.

#### **NOTE 6 - RISK MANAGEMENT**

#### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2022, the School District contracted with Ohio School Plan for property and fleet, general liability, and inland marine insurance coverage.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### Ohio School Plan (at Replacement Cost):

| Boiler and Machinery (\$1,000 deductible) | \$ 39,942,574 |
|---|---------------|
| Crime Insurance (\$1,000 deductible)      | 25,000        |
| Automotive                                |               |
| Liability                                 | 3,000,000     |
| Uninsured Motorists                       | 1,000,000     |
| General Liability                         |               |
| Per Occurrence                            | 3,000,000     |
| Per Year                                  | 5,000,000     |

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

#### B. Workers' Compensation

For fiscal year 2022, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based in the rate for the GRP rather than its individual rate. Participation in the GRP is limited to the participants that can meet the GRP's selection criteria.

#### C. Health Care Benefits

The School District has contracted through the Southwestern Ohio Educational Purchasing Council to provide employee medical/surgical benefits and also dental benefits. The School District and the employees share the cost of the monthly premium.

#### **NOTE 7 - DEFINED BENEFIT PENSION PLANS**

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

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

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

The net pension/OPEB liability (asset) represents the School District's proportionate share of each pension/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.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

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 liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

|                     | Eligible to                             | Eligible to                                |
|---------------------|---|--|
|                     | Retire before                           | Retire on or after                         |
|                     | August 1, 2017 *                        | 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 | Age 60 with 5 years of service credit   | Age 62 with 10 years of service credit; or |
| Benefits            | Age 55 with 25 years of service credit  | Age 60 with 25 years of service credit     |

<sup>\*</sup> Members with 25 years of service credit as of August 1, 2017, may be included in this plan.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

The School District's contractually required contribution to SERS was \$125,748 for fiscal year 2022.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017 to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will continue to be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employer contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$526,495 for fiscal year 2022.

#### Net Pension Liability

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions in the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

| SERS        |           | STRS                                      |   |   | Total   |  |
|-------------|-----------|---|---|---|---|--|
|             |           |   |   |   |   |  |
| 0.          | 02410980% |   | 0.02949470%                               |   |   |  |
| 0.02228790% |           |   | 0.02864677%                               |   |   |  |
| 0.00182190% |           |   | 0.00084793%                               |   |   |  |
| \$          | 889.582   | \$  | 3,771,163                                 | \$  | 4.660,745   |  |
|             | 0.        | 0.02410980%<br>0.02228790%<br>0.00182190% | 0.02410980%<br>0.02228790%<br>0.00182190% | 0.02410980%       0.02949470%         0.02228790%       0.02864677%         0.00182190%       0.00084793% | 0.02410980%       0.02949470%         0.02228790%       0.02864677%         0.00182190%       0.00084793% |  |

#### Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared to June 30, 2020, are presented below:

| Inflation                                    | June 30, 2021<br>2.40 percent  | June 30, 2020<br>3.00 percent                                |
|--|--|--|
| Future Salary Increases, including inflation | 3.25 percent to 13.58 percent  | 3.50 percent of 18.20 percent                                |
| COLA or Ad Hoc COLA                          | 2.00 percent, on or after<br>April 2, 2018, COLAs for future<br>retirees will be delayed for three<br>years following commencement | 2.50 percent   |
| Investment Rate of Return                    | 7.00 percent, net of system expenses   | 7.50 percent, net of investment expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal (Level Percent of Payroll)  | Entry Age Normal (Level Percent of Payroll)                  |

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

|                             | Target     | Long-Term Expected  |  |  |
|-----------------------------|------------|---------------------|--|--|
| Asset Class                 | Allocation | Real Rate of Return |  |  |
| Cash                        | 2.00 %     | (0.33) %            |  |  |
| US Equity                   | 24.75      | 5.72                |  |  |
| Non-US Equity Developed     | 13.50      | 6.55                |  |  |
| Non-US Equity Emerging      | 6.75       | 8.54                |  |  |
| Fixed Income/Global Bonds   | 19.00      | 1.14                |  |  |
| Private Equity              | 11.00      | 10.03               |  |  |
| Real Estate/Real Assets     | 16.00      | 5.41                |  |  |
| Multi-Asset Strategies      | 4.00       | 3.47                |  |  |
| Private Debt/Private Credit | 3.00       | 5.28                |  |  |
| Total                       | 100.00 %   |                     |  |  |

**Discount Rate** Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 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 (7.00 percent).

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

|                                       | Current     |           |               |         |             |         |
|---------------------------------------|-------------|-----------|---------------|---------|-------------|---------|
|                                       | 1% Decrease |           | Discount Rate |         | 1% Increase |         |
| School District's Proportionate Share |             |           |               |         |             |         |
| of the Net Pension Liability          | \$          | 1,480,045 | \$            | 889,582 | \$          | 391,618 |

#### Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021 actuarial valuation used in the June 30, 2021, compared to those used in the June 30, 2020 actuarial valuation, are presented below:

| _                                 | June 30, 2021   | June 30, 2020   |  |  |
|-----------------------------------|---|---|--|--|
| Inflation                         | 2.50 percent  | 2.50 percent  |  |  |
| Projected Salary Increases        | 12.50 percent at age 20 to 2.50 percent at age 65             | 12.50 percent at age 20 to 2.50 percent at age 65             |  |  |
| Investment Rate of Return         | 7.00 percent, net of investment expenses, including inflation | 7.00 percent, net of investment expenses, including inflation |  |  |
| Discount Rate of Return           | 7.00 percent  | 7.45 percent  |  |  |
| Payroll Increases                 | 3.00 percent  | 3.00 percent  |  |  |
| Cost-of-Living Adjustments (COLA) | 0.00 percent  | 0.00 percent  |  |  |

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

Actuarial assumptions used in the June 30, 2021 valuation, were based on the results of an actual 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:

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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

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

**Discount Rate**. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that employer and member 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, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

|                                       | Current     |           |               |           |             |         |
|---------------------------------------|-------------|-----------|---------------|-----------|-------------|---------|
|                                       | 1% Decrease |           | Discount Rate |           | 1% Increase |         |
| School District's Proportionate Share |             |           |               |           |             |         |
| of the Net Pension Liability          | \$          | 7,061,976 | \$            | 3,771,163 | \$          | 990,432 |

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

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### NOTE 8 - DEFINED BENEFIT OPEB PLANS

See Note 7 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$15,345.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$15,345 for fiscal year 2022.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, 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, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

|   |       | SERS    |      | STRS      | Total           |
|---|-------|---------|------|-----------|-----------------|
| Proportion of the Net OPEB Liability (Asset): |       |         |      |           |                 |
| Current Measurement Date                      | 0.02  | 469820% | 0.0  | 2949470%  |                 |
| Prior Measurement Date                        | 0.02  | 305600% | 0.0  | 2864677%  |                 |
| Change in Proportionate Share                 | -0.00 | 164220% | -0.0 | 00084793% |                 |
| Proportionate Share of the Net                |       |         |      |           |                 |
| OPEB Liability (Asset)                        | \$    | 467,434 | \$   | (621,872) | \$<br>(154,438) |

#### 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.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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 actuarial valuation date of June 30, 2021, compared to June 30, 2020, are presented below:

| Inflation Future Salary Increases, including inflation | June 30, 2021 2.40 percent 3.25 percent to 13.58 percent      | June 30, 2020 3.00 percent 3.50 percent to 18.20 percent      |
|--|---|---|
| Investment Rate of Return                              | 7.00 percent, net of investment expenses, including inflation | 7.50 percent, net of investment expenses, including inflation |
| Municipal Bond Index Rate                              |   |   |
| Measurement Date                                       | 1.92 percent  | 2.45 percent  |
| Prior Measurement Date                                 | 2.45 percent  | 3.13 percent  |
| Single Equivalent Interest Rate,                       |   |   |
| net of plan invenstment expense,                       |   |   |
| including price inflation                              |   |   |
| Measurement Date                                       | 2.27 percent  | 2.63 percent  |
| Prior Measurement Date                                 | 2.63 percent  | 3.22 percent  |
| Medical Trend Assumption                               | -   | <del>-</del>  |
| Medicare   | 5.125 to 4.40 percent   | 5.25 to 4.75 percent  |
| Pre-Medicare   | 6.75 to 4.40 percent  | 7.00 to 4.75 percent  |

For 2021, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, 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.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a 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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategies      | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 5.28                                      |
| Total                       | 100.00 %             |   |

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 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 contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

|   |    |          | (   | Current    |    |          |
|---|----|----------|-----|------------|----|----------|
|   | 1% | Decrease | Dis | count Rate | 1% | Increase |
| School District's Proportionate Share of the Net OPEB Liability | \$ | 579,207  | \$  | 467,434    | \$ | 378,141  |
|   |    |          | (   | Current    |    |          |
|   | 1% | Decrease | Tı  | rend Rate  | 1% | Increase |
| School District's Proportionate Share of the Net OPEB Liability | \$ | 359,886  | \$  | 467,434    | \$ | 611,085  |

#### Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021 actuarial valuation, and the June 30, 2020 actuarial valuation, are presented below:

|                            | June 30, 2021   | June 30, 2020   |
|----------------------------|---|---|
| Projected Salary Increases | 12.50 percent at age 20 to                                    | 12.50 percent at age 20 to                                    |
|                            | 2.50 percent at age 65  | 2.50 percent at age 65  |
| Investment Rate of Return  | 7.00 percent, net of investment expenses, including inflation | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases          | 3.00 percent  | 3.00 percent  |
| Discount Rate of Return    | 7.00 percent  | 7.45 percent  |
| Health Care Cost Trends    |   |   |
| Medical Trend Assumption   |   |   |
| Pre-Medicare               | 5.00 percent initial, 4 percent ultimate                      | 5.00 percent initial, 4 percent ultimate                      |
| Medicare                   | -16.18 percent initial, 4 percent ultimate                    | -6.69 percent initial, 4 percent ultimate                     |
| Prescription Drug          |   |   |
| Medicare                   | 6.50 percent initial, 4 percent ulitmate                      | 6.50 percent initial, 4 percent ultimate                      |
| Pre-Medicare               | 29.98 percent initial, 4 percent ultimate                     | 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.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

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, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part B Subsidy was updated to reflect it is expected to be negative in CY 2022. The 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:

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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 and one percentage point higher than the current health care cost trend rates.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

|   | 19 | % Decrease | Dis | scount Rate       | 19 | 6 Increase |
|---|----|------------|-----|-------------------|----|------------|
| School District's Proportionate Share of the Net OPEB (Asset) | \$ | (524,764)  | \$  | (621,872)         | \$ | (702,991)  |
|   | 1% | % Decrease | T   | Current rend Rate | 19 | % Increase |
| School District's Proportionate Share of the Net OPEB (Asset) | \$ | (699,704)  | \$  | (621,872)         | \$ | (525,625)  |

*Changes Between the Measurement Date and the Reporting Date* In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

#### NOTE 9 - EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining personal and sick leave components are derived from negotiated agreements and State laws. Classified employees earn vacation each fiscal year, depending upon length of service. Accumulated, unused personal time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of 15 days per year that may be accumulated up to a total of 235 days. Personal days are earned at the rate of 3 days per year.

#### NOTE 10 – LONG-TERM OBLIGATIONS

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

|  | Principal   |           |            | Principal   |            |
|--|-------------|-----------|------------|-------------|------------|
|  | Outstanding |           |            | Outstanding | Due Within |
|  | 7/1/2021    | Additions | Reductions | 6/30/2022   | One Year   |
| General Obligations                    |             |           |            |             |            |
| 2012 Refunding                         |             |           |            |             |            |
| Current Interest Serial and Term Bonds | \$ 350,000  | \$ -      | \$ 235,000 | \$ 115,000  | \$ 115,000 |

2012 General Obligation Refunding Bonds – On May 16, 2012 the School District issued \$1,805,000 in general obligation bonds for the purpose of refunding a portion of 2002 various purpose general obligation bonds originally issued in the amount of \$3,260,998 for the purpose of acquisition, construction and improvements to school buildings and structures. The bond issue includes \$1,805,000 of serial and term bonds at interest rates of 2 percent to 4 percent. The bonds will be retired from the Bond Retirement Debt Service Fund.

The Serial Bonds will mature in various principal amounts with varying interest rates starting on December 1, 2014 and on each December 1 thereafter at 100 percent of the principal amount for the years 2014 through 2020.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

The Term Bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

|      | Principal Amount |
|------|------------------|
| Year | to be Redeemed   |
| 2022 | \$115,000        |

The refunding bond issue provides resources to purchase U.S. Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$1,810,000 of the 2002 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$243,042. The economic gain resulting from the refunding was \$206,864.

Future principal and interest requirements as of June 30, 2022 are as follows:

| Fiscal Year     | 2012 Refunding Bonds |          |       |  |  |
|-----------------|----------------------|----------|-------|--|--|
| Ending June 30, | Principal            | Interest |       |  |  |
|                 |                      |          | ·     |  |  |
| 2023            | \$ 115,000           | \$       | 2,300 |  |  |

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Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### NOTE 11 – FUND BALANCE

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

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

|                                  |         |         | Other        |         | Total        |           |
|----------------------------------|---------|---------|--------------|---------|--------------|-----------|
|                                  | General |         | Governmental |         | Governmental |           |
|                                  | Fı      | and     |              | Funds   |              | Funds     |
| Restricted for:                  |         | _       |              |         |              |           |
| Capital Outlay                   | \$      | -       | \$           | 226,800 | \$           | 226,800   |
| Classroom Facilities Maintenance |         | -       |              | 98,388  |              | 98,388    |
| Debt Service                     |         | -       |              | 92,676  |              | 92,676    |
| Food Service Operations          |         | -       |              | 170,266 |              | 170,266   |
| Extracurricular Activities       |         | -       |              | 114,718 |              | 114,718   |
| Scholarships                     |         | -       |              | 41,182  |              | 41,182    |
| Other Purposes                   |         |         | 4,306        |         |              | 4,306     |
| Total Restricted                 |         | _       | 748,336      |         |              | 748,336   |
| Assigned for:                    |         |         | •            |         |              |           |
| Instruction                      |         | 9,101   |              | -       |              | 9,101     |
| Support Services                 |         | 99,056  |              | -       |              | 99,056    |
| Extracurricular Activities       |         | 113     |              | -       |              | 113       |
| Capital Outlay                   |         | 49,834  |              | -       |              | 49,834    |
| Subsequent Year Appropriations   | 1,6     | 95,371  |              | _       |              | 1,695,371 |
| Total Assigned                   | 1,8     | 353,475 |              | _       |              | 1,853,475 |
| Unassigned                       | 5,4     | 96,451  |              |         |              | 5,496,451 |
| Total Fund Balance               | \$ 7,3  | 49,926  | \$           | 748,336 | \$           | 8,098,262 |

#### **NOTE 12 – SET-ASIDE REQUIREMENTS**

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

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

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

|   |    | Capital provements |
|---|----|--------------------|
| Set Aside Restricted Balance June 30, 2021  | \$ | -                  |
| Current Year Set Aside Requirement          |    | 125,683            |
| Current Year Offsets                        |    | (212,676)          |
| Total                                       | \$ | (86,993)           |
| D. 1  | Φ. |                    |
| Balance Carried Forward to Fiscal Year 2023 | \$ |                    |
| Set Aside Restricted Balance June 30, 2022  | \$ |                    |

Although the School District had offsets during the fiscal year that reduced the capital improvements setaside amount below zero, this amount may not be used to reduce the set aside requirements of future years. Therefore, this negative balance is not presented as being carried forward to future fiscal years.

#### **NOTE 13 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the 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 budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

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 |           |  |
|-----------------------------|--------------|-----------|--|
| Cash Basis                  | \$           | (757,640) |  |
| Funds Budgeted Elsewhere**  |              | 5,333     |  |
| Adjustment for Encumbrances |              | (158,106) |  |
| Budget Basis                | \$           | (910,413) |  |

<sup>\*\*</sup> 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 and Uniform School Supplies Fund.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### **NOTE 14 – CONTINGENCIES**

#### A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time.

#### B. Litigation

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

#### C. Encumbrance Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance.

At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

| Fund                        | Amount |         |  |
|-----------------------------|--------|---------|--|
| General Fund                | \$     | 158,106 |  |
| Nonmajor Governmental Funds |        | 83,303  |  |
| Total                       | \$     | 241,409 |  |

#### D. Contractual Commitments

At June 30, 2022, the School District had the following outstanding contractual commitments:

| Project                            | Vendor         | Contract Amount |           | Amount Paid |          | Contract Amount Amount Paid |        | Amount Remaining |        |
|------------------------------------|----------------|-----------------|-----------|-------------|----------|-----------------------------|--------|------------------|--------|
| Architectural/Engineering Services | Garmann Miller | \$              | 100,000   | \$          | 98,000   | \$                          | 2,000  |                  |        |
| Innovation of Aquaponic Center     | Mel Lanzer Co  |                 | 1,539,950 | 1,470,904   |          | 1,470,904                   |        |                  | 69,046 |
| Total                              |                | \$              | 1,639,950 | \$ 1        | ,568,904 | \$                          | 71,046 |                  |        |

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note.

Notes To The Basic Financial Statements For the Fiscal Year Ended June 30, 2022 (Continued)

#### **NOTE 15 – COMPLIANCE**

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2022, the School District prepared it financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

#### **NOTE 16 – 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, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

#### **NOTE 17 - TAX ABATEMENTS**

Other governments entered into property tax abatements with property owners under the Ohio Community Reinvestment Area (CRA) program with the taxing district of the School District. The CRA program is derivative incentive tax exemption program benefiting program owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the School District, Paulding County has entered into such agreements. Under these agreements, the School District's property taxes were reduced by \$3,852 through Paulding County. The School District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title  | Federal<br>AL<br>Number | Provide<br>to<br>Subrecipie | -     | Total Federal<br>Expenditures |
|---|-------------------------|-----------------------------|-------|-------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE  |                         |                             |       |                               |
| Passed Through Ohio Department of Education   |                         |                             |       |                               |
| Child Nutrition Cluster:  |                         |                             |       |                               |
| School Breakfast Program  |                         |                             |       |                               |
| Cash Assistance   | 10.553                  |                             | \$    | \$ 60,951                     |
| National School Lunch Program   |                         |                             |       |                               |
| Cash Assistance   | 10.555                  |                             |       | 197,192                       |
| Non-Cash Assistance (Food Distribution)   | 10.555                  |                             |       | 15,826                        |
| COVID-19 National School Lunch Program  | 10.555                  |                             |       | 23,488                        |
| Total National School Lunch Program   |                         |                             |       | 236,506                       |
| Total Child Nutrition Cluster   |                         |                             |       | 297,457                       |
| COVID-19 Pandemic EBT Administrative Costs  | 10.649                  |                             |       | 614                           |
| Total U.S. Department of Agriculture  |                         |                             |       | 298,071                       |
| U.S. DEPARTMENT OF EDUCATION  Passed Through Ohio Department of Education  Title I Grants to Local Educational Agencies | 84.010                  |                             |       | 92,154                        |
| Special Education Cluster:  |                         |                             |       |                               |
| Special Education Grants to States  | 84.027                  |                             |       | 150,365                       |
| American Rescue Plan Special Education Grants to States   | 84.027X                 |                             |       | 27.453                        |
| Special Education Preschool Grants  | 84.173                  |                             |       | 8,544                         |
| American Rescue Plan Special Education Preschool Grants   | 84.173X                 |                             |       | 1,890                         |
| Total Special Education Cluster   |                         |                             |       | 188,252                       |
| Supporting Effective Instruction State Grants   | 84.367                  |                             |       | 18,218                        |
| Student Support and Academic Enrichment Program   | 84.424                  |                             |       | 16,066                        |
| COVID-19 Education Stabilization Fund   |                         |                             |       |                               |
| Elementary and Secondary School Emergency Relief Fund (ESSER II)  | 84.425D                 |                             |       | 167,104                       |
| American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Extended Learning and Recovery             | 84.425D                 | \$ 25,                      | 105   | 25,405                        |
| American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER III)                              | 84.425U                 |                             |       | 128,029                       |
| Total Education Stabilization Fund  |                         | 25,                         | 105   | 320,538                       |
| Total U.S. Department of Education  |                         | 25,                         | 105   | 635,228                       |
| Total Expenditures of Federal Awards  |                         | \$ 25,                      | 105 9 | 933,299                       |

The accompanying notes are an integral part of this schedule.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE FISCAL YEAR ENDED JUNE 30, 2022

#### **NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Antwerp Local School District, Paulding County, Ohio (the School District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### NOTE C - INDIRECT COST RATE

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

#### **NOTE D - SUBRECIPIENTS**

The School 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 School District reports expenditures of Federal awards to subrecipients when paid in cash.

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

#### NOTE F - FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective 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 School District transferred the following amounts from 2022 to 2023 programs:

# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (Continued)

#### NOTE G - TRANSFERS BETWEEN PROGRAM YEARS - (Continued)

|   | AL      | Α    | lmt.    |
|---|---------|------|---------|
| Program Title   | Number  | Tran | sferred |
| Special Education Grants to States                            | 84.027  | \$   | 4,530   |
| COVID-19 American Rescue Plan Elementary and Secondary School |         |      |         |
| Emergency Relief Fund (ARP ESSER III)                         | 84.425U | 5    | 551,929 |



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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

Antwerp Local School District Paulding County 303 South Harrmann Road Antwerp, Ohio 45813-9574

#### To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Antwerp Local School District, Paulding County, Ohio (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2023, wherein we noted the School 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 School District.

#### Report on Internal Control Over Financial Reporting

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

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

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

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Antwerp Local School District
Paulding County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

#### School District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### Purpose of This Report

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

Keith Faber Auditor of State Columbus, Ohio

March 8, 2023



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

Antwerp Local School District Paulding County 303 South Harrmann Road Antwerp, Ohio 45813-9574

To the Board of Education:

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

#### Opinion on Each Major Federal Program

We have audited Antwerp Local School District, Paulding County, Ohio's (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Antwerp Local School District's major federal programs for the year ended June 30, 2022. Antwerp Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Antwerp Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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

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

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Antwerp Local School District
Paulding County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
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#### Responsibilities of Management for Compliance

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

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

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

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

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

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

#### **Report on Internal Control Over Compliance**

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

Antwerp Local School District
Paulding County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
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Our consideration of internal control over compliance was for the limited purpose described in *the Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Keith Faber Auditor of State Columbus, Ohio

March 8, 2023

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#### SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2022

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

| (d)(1)(i)    | Type of Financial Statement Opinion  | Unmodified  |
|--------------|--|---|
| (d)(1)(ii)   | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?      | No  |
| (d)(1)(ii)   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No  |
| (d)(1)(iii)  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | Yes   |
| (d)(1)(iv)   | Were there any material weaknesses in internal control reported for major federal programs?                    | No  |
| (d)(1)(iv)   | Were there any significant deficiencies in internal control reported for major federal programs?               | No  |
| (d)(1)(v)    | Type of Major Programs' Compliance Opinion   | Unmodified  |
| (d)(1)(vi)   | Are there any reportable findings under 2 CFR § 200.516(a)?  | No  |
| (d)(1)(vii)  | Major Programs (list):   | Special Education Cluster<br>Education Stabilization Fund<br>AL #84.425 |
| (d)(1)(viii) | Dollar Thresh/old: Type A\B Programs   | Type A: > \$ 750,000<br>Type B: all others                              |
| (d)(1)(ix)   | 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 2022-001**

#### 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.

Antwerp Local School District Paulding County Schedule of Findings Page 2

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

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

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

#### Officials' Response:

See Corrective Action Plan

#### 3. FINDINGS FOR FEDERAL AWARDS

None

## **Antwerp Local Schools**

303 South Harrmann Road Antwerp, OH 45813 419-258-5421 FAX: 419-258-4041

Board of Education Sara Schuette President

Jayme Landers Vice President

> Anita Bok Robert Herber Dennis Recker

Travis Lichty Middle/High School Principal

Tracey Stokes Elementary School Principal

Dr. Martin A. Miller

Superintendent

Kristine Stuart Treasurer

#### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2022

| Finding<br>Number | Finding<br>Summary  | Status           | Additional Information  |
|-------------------|---|------------------|---|
| 2021-001          | This finding was first reported in 2006. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. | Finding 2022-001 | This finding reoccurred since management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient. |

## **Antwerp Local Schools**

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Superintendent

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Middle/High School Principal

Jayme Landers Vice President

Tracey Stokes

**Elementary School Principal** 

Anita Bok Robert Herber Dennis Recker

Kristine Stuart Treasurer

> CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2022

Finding Number: 2022-001

Planned Corrective Action: Management believes reporting on a basis of accounting other than

generally accepted accounting principles (GAAP) is more cost efficient.

Anticipated Completion Date: N/A

Responsible Contact Person: Kristine Stuart, Treasurer/CFO



#### ANTWERP LOCAL SCHOOL DISTRICT

#### **PAULDING COUNTY**

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

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



Certified for Release 3/21/2023

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