



OHIO AUDITOR OF STATE
KEITH FABER



**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

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MEDINA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Black River Local School District
Medina County
257-A County Road 40
Sullivan, Ohio 44880

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Black River Local School District, Medina County, Ohio as of June 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and the Elementary and Secondary School Emergency Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Federal Awards Receipts and Expenditures 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 February 14, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2023

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The management's discussion and analysis of the Black River Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- In total, net position of governmental activities increased \$3,109,800 or 96.00% from 2021's net position.
- General revenues accounted for \$14,229,005 in revenue or 71.16% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,767,126 or 28.84% of total revenues of \$19,996,131.
- The District had \$16,886,331 in expenses related to governmental activities; only \$5,767,126 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,229,005 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the Elementary and Secondary School Emergency Relief (ESSER) fund. The general fund had \$15,171,727 in revenues and other financing sources and \$15,190,103 in expenditures and other financing uses. During fiscal year 2022, the general fund's fund balance decreased \$18,376 from a balance of \$2,255,976 to a balance of \$2,237,600.
- The Elementary and Secondary School Emergency Relief (ESSER) fund had \$2,742,632 in revenues and \$2,737,767 in expenditures. During fiscal year 2022, the ESSER fund's fund balance increased \$4,865 from a deficit balance of \$4,865 to a balance of \$0.

Using the Basic Financial Statements

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The statement of net position and the statement of activities answer this question. These statements include *all non-fiduciary assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the ESSER fund.

Governmental Funds

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a custodial fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2022 and 2021. Certain 2021 amounts have been restated as described in Note 3.A.

| | Net Position - Governmental Activities | |
|--|--|------------------|
| | 2022 | Restated 2021 |
| <u>Assets</u> | | |
| Current and other assets | \$ 11,395,360 | \$ 10,809,042 |
| Net OPEB asset | 1,026,451 | 875,479 |
| Capital assets, net | 10,897,730 | 8,855,770 |
| Total assets | 23,319,541 | 20,540,291 |
| <u>Deferred outflows of resources</u> | | |
| Pension | 3,221,893 | 2,648,081 |
| OPEB | 394,278 | 459,352 |
| Total deferred outflows | 3,616,171 | 3,107,433 |
| <u>Liabilities</u> | | |
| Current liabilities | 1,957,093 | 1,540,252 |
| Long-term liabilities: | | |
| Due within one year | 185,462 | 76,694 |
| Due in more than one year: | | |
| Net pension liability | 8,254,915 | 15,623,520 |
| Net OPEB liability | 1,074,148 | 1,222,407 |
| Other amounts | 1,085,954 | 720,964 |
| Total liabilities | 12,557,572 | 19,183,837 |
| <u>Deferred inflows of resources</u> | | |
| Property taxes | 5,645,518 | 5,425,948 |
| Pensions | 7,031,776 | 563,447 |
| OPEB | 1,830,347 | 1,713,793 |
| Total deferred inflows | 14,507,641 | 7,703,188 |
| <u>Net Position</u> | | |
| Net investment in capital assets | 10,534,430 | 8,717,246 |
| Restricted | 1,094,107 | 1,255,961 |
| Unrestricted (deficit) | (11,758,038) | (13,212,508) |
| Total net position (deficit) | \$ (129,501) | \$ (3,239,301) |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

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

Analysis of Net Position

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2022, the District's liabilities plus deferred inflows of resources exceeded assets and deferred outflows by \$129,501.

Current and other assets increased approximately 5.42% primarily due to an increase in equity in pooled cash and cash equivalents due to current year activity.

Deferred outflows related to pension increased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 13 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 14 for more detail.

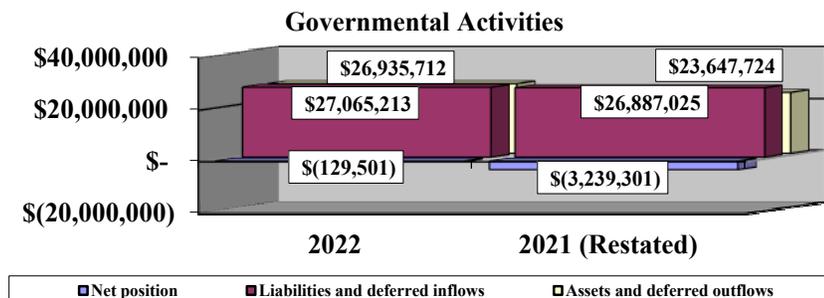
At year-end, capital assets represented 46.73% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and intangible right to use assets. Investment in capital assets at June 30, 2022, was \$10,534,430. These capital assets are used to provide services to the students and are not available for future spending.

Long-term liabilities decreased primarily due to a decrease in the net pension liability. This liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District. Additionally, long-term liabilities decreased due to the District paying down its debt obligations.

The net pension liability decreased \$7,368,605 or 47.16% and deferred inflows of resources related to pension increased \$6,468,329 or 1,147.99%. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Net investment income on investments at both pension systems exceeded estimates for the fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which cause a large increase in fiduciary net position.

A portion of the District's net position, \$1,094,107, represents resources that are subject to external restriction on how they may be used. The District's unrestricted net position is a deficit of \$11,758,038.

The table below provides a summary of the District's assets and deferred outflows, liabilities and deferred inflows and net position for fiscal years 2022 and 2021.



**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The table below shows the change in net position for fiscal years 2022 and 2021.

| | Change in Net Position - Governmental Activities | |
|---|--|-----------------------|
| | 2022 | 2021 |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 619,043 | \$ 1,106,204 |
| Operating grants and contributions | 5,148,083 | 2,759,036 |
| Capital grants and contributions | - | 37,914 |
| General revenues: | | |
| Property taxes | 7,266,255 | 7,449,938 |
| Grants and entitlements | 6,649,254 | 7,224,779 |
| Sales tax | 296,760 | 331,187 |
| Miscellaneous | 16,736 | 59,992 |
| Total revenues | <u>19,996,131</u> | <u>18,969,050</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 7,056,323 | 9,273,468 |
| Special | 2,694,656 | 2,333,261 |
| Vocational | 365,811 | 428,512 |
| Adult/continuing | 13,585 | - |
| Other | 90,000 | - |
| Support services: | | |
| Pupil | 759,267 | 934,818 |
| Instructional staff | 376,577 | 312,387 |
| Board of education | 114,827 | 88,743 |
| Administration | 1,147,588 | 1,225,900 |
| Fiscal | 438,146 | 468,571 |
| Business | 32,565 | 29,625 |
| Operations and maintenance | 1,521,052 | 1,350,221 |
| Pupil transportation | 1,128,920 | 1,128,338 |
| Central | 17,108 | 21,514 |
| Operation of non-instructional services: | | |
| Food service operations | 574,541 | 568,471 |
| Other non-instructional services | 51,418 | 70,949 |
| Extracurricular activities | 483,266 | 456,066 |
| Interest and fiscal charges | 20,681 | 13,640 |
| Total expenses | <u>16,886,331</u> | <u>18,704,484</u> |
| Change in net position | 3,109,800 | 264,566 |
| Net position (deficit) at beginning of year | <u>(3,239,301)</u> | <u>(3,503,867)</u> |
| Net position (deficit) at end of year | <u>\$ (129,501)</u> | <u>\$ (3,239,301)</u> |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

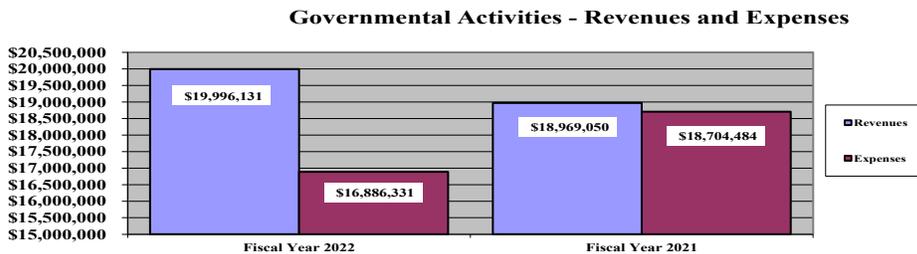
Governmental Activities

Net position of the District’s governmental activities increased \$3,109,800. Total governmental expenses of \$16,886,331 were offset by program revenues of \$5,767,126 and general revenues of \$14,229,005. Program revenues supported 34.15% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property and sales taxes and unrestricted grants and entitlements. These revenue sources represent 71.08% of total governmental revenue. Real estate property is reappraised every six years. Unrestricted grants and entitlements decreased due to decreased Foundation funding from the State of Ohio. Operating grants and contributions increased due to increased funding from the Federal government from ESSER funds related to the American Rescue Plan Act.

Overall, expenses of the governmental activities decreased \$1,818,153 or 9.72%. This decrease is primarily the result of a decrease in pension expense. Pension expense decreased approximately \$2,235,280. This decrease was the result of a decrease in expenses incurred at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) due to an increase in net investment income on investments compared to previous years.

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2022 and 2021:



**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

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

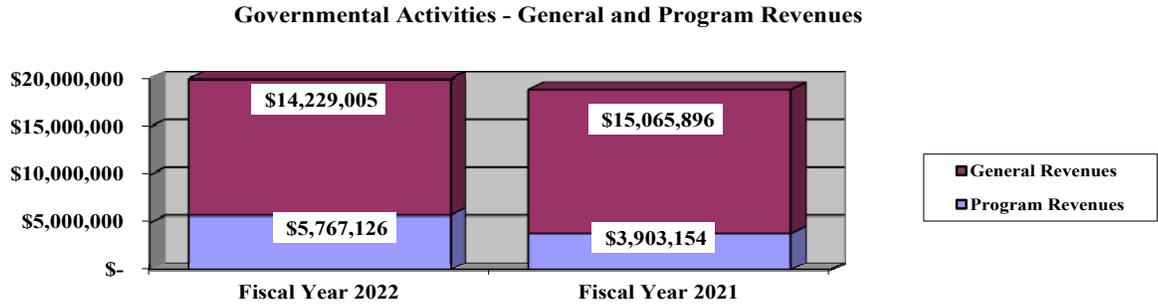
| | Total Cost of Services 2022 | Net Cost of Services 2022 | Total Cost of Services 2021 | Net Cost of Services 2021 |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Governmental Activities | | | | |
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 7,056,323 | \$ 4,234,211 | \$ 9,273,468 | \$ 7,930,511 |
| Special | 2,694,656 | 1,511,540 | 2,333,261 | 1,082,837 |
| Vocational | 365,811 | 328,826 | 428,512 | 330,792 |
| Adult/continuing | 13,585 | 13,585 | - | - |
| Other | 90,000 | 90,000 | - | - |
| Support services: | | | | |
| Pupil | 759,267 | 551,062 | 934,818 | 709,195 |
| Instructional staff | 376,577 | 300,611 | 312,387 | 253,575 |
| Board of education | 114,827 | 114,827 | 88,743 | 88,743 |
| Administration | 1,147,588 | 988,610 | 1,225,900 | 1,196,588 |
| Fiscal | 438,146 | 433,473 | 468,571 | 468,509 |
| Business | 32,565 | 32,565 | 29,625 | 29,625 |
| Operations and maintenance | 1,521,052 | 1,426,801 | 1,350,221 | 1,198,582 |
| Pupil transportation | 1,128,920 | 987,953 | 1,128,338 | 1,003,944 |
| Central | 17,108 | 17,108 | 21,514 | 21,421 |
| Operation of non-instructional: | | | | |
| Food service operations | 574,541 | (194,319) | 568,471 | 189,863 |
| Other non-instructional services | 51,418 | 33,253 | 70,949 | 14,952 |
| Extracurricular activities | 483,266 | 228,418 | 456,066 | 268,553 |
| Interest and fiscal charges | 20,681 | 20,681 | 13,640 | 13,640 |
| Total expenses | <u>\$ 16,886,331</u> | <u>\$ 11,119,205</u> | <u>\$ 18,704,484</u> | <u>\$ 14,801,330</u> |

The dependence upon tax and other general revenues for governmental activities is apparent, as 60.45% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 65.85%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2022 and 2021.



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,202,755 which is less than last year's balance of \$3,250,797. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2022 and 2021.

| | Fund Balance June 30, 2022 | Fund Balance June 30, 2021 | Increase (Decrease) |
|--------------------|-------------------------------|-------------------------------|------------------------|
| General | \$ 2,237,600 | \$ 2,255,976 | \$ (18,376) |
| ESSER | - | (4,865) | 4,865 |
| Other Governmental | <u>965,155</u> | <u>999,686</u> | <u>(34,531)</u> |
| Total | <u>\$ 3,202,755</u> | <u>\$ 3,250,797</u> | <u>\$ (48,042)</u> |

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

General Fund

The District's general fund's fund balance decreased by \$18,376.

| | 2022 <u>Amount</u> | 2021 <u>Amount</u> | Increase/ <u>(Decrease)</u> | Percentage <u>Change</u> |
|---|-----------------------|-----------------------|--------------------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 6,986,268 | \$ 7,053,686 | \$ (67,418) | (0.96) % |
| Tuition and fees | 332,425 | 954,217 | (621,792) | (65.16) % |
| Earnings on investments | 14,316 | 13,774 | 542 | 3.93 % |
| Intergovernmental | 7,362,407 | 7,845,975 | (483,568) | (6.16) % |
| Other revenues | <u>182,555</u> | <u>128,855</u> | <u>53,700</u> | 41.67 % |
| Total | <u>\$ 14,877,971</u> | <u>\$ 15,996,507</u> | <u>\$ (1,118,536)</u> | (6.99) % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 9,123,155 | \$ 9,931,604 | \$ (808,449) | (8.14) % |
| Support services | 5,223,580 | 4,916,408 | 307,172 | 6.25 % |
| Operation of non-instructional services | 37,908 | 14,250 | 23,658 | 166.02 % |
| Extracurricular activities | 69,845 | 40,643 | 29,202 | 71.85 % |
| Facilities acquisition and construction | 293,756 | 362,598 | (68,842) | (18.99) % |
| Debt service | <u>131,859</u> | <u>55,195</u> | <u>76,664</u> | 138.90 % |
| Total | <u>\$ 14,880,103</u> | <u>\$ 15,320,698</u> | <u>\$ (440,595)</u> | (2.88) % |

Revenues of the general fund decreased \$1,118,536 or 6.99%. Tuition and fees decreased due to decreased open enrollment revenues. Intergovernmental revenues decreased due to decreased funding from the State of Ohio in the form of foundation payments. All other revenues remained comparable to the prior fiscal year or changed an insignificant amount.

Expenditures of the general fund decreased \$440,595 or 2.88%. Instruction expenditures are the largest District expenditures and decreased primarily in the area of regular instruction. Support services increased mainly due to increases in operations and maintenance as a result of increased maintenance upkeep costs and repairs. Debt service increased due to the District reporting the payments related to lease payables under GASB No. 87. All other expenditures remained comparable to the prior fiscal year or changed an insignificant amount.

ESSER Fund

The ESSER fund had \$2,742,632 in revenues and \$2,737,767 in expenditures. During fiscal year 2022, the ESSER fund's fund balance increased \$4,865 from a deficit balance of \$4,865 to a balance of \$0.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$13,931,824, which was equal to the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2022 were \$13,248,854, which is \$682,970 less than final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,199,035 were more than the final appropriations of \$13,699,035. The actual budget basis expenditures and other financing uses for fiscal year 2022 totaled \$12,975,677, which were \$723,358 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the District had \$10,897,730 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and intangible right to use assets. This entire amount is reported in governmental activities.

The following table shows June 30, 2022 balances compared to June 30, 2021. The capital assets at June 30, 2021 have been restated as described in Note 3.

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|------------------------------------|-------------------------|---------------------|
| | 2022 | Restated 2021 |
| Land | \$ 437,361 | \$ 437,361 |
| Construction in progress | - | 354,075 |
| Land improvements | 422,814 | 409,188 |
| Building and improvements | 9,078,434 | 6,907,089 |
| Furniture, fixtures, and equipment | 139,061 | 179,908 |
| Vehicles | 459,317 | 429,625 |
| Intangible right to use: | | |
| Leased equipment | 360,743 | 138,524 |
| Total | \$ 10,897,730 | \$ 8,855,770 |

The overall increase in capital assets of \$2,041,960 is primarily due to depreciation/amortization expense of \$755,157 and disposals, net of depreciation/amortization of \$30,625 not exceeding capital asset additions of \$2,827,742 for fiscal year 2022. See Note 9 to the basic financial statements for additional information on the District's capital assets.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Debt Administration

At June 30, 2022, the District had \$391,000 in energy conservation notes and \$363,300 in lease payables. Of this total, \$134,754 is due within one year and \$619,546 is due in greater than one year. The following table summarizes the debt outstanding. The outstanding debt at June 30, 2021 has been restated as described in Note 3.A.

Outstanding Debt, at Year End

| | Governmental Activities <u>2022</u> | Restated Governmental Activities <u>2021</u> |
|---------------------------|---|---|
| Energy conservation notes | \$ 391,000 | \$ 434,000 |
| Lease payable | <u>363,300</u> | <u>138,524</u> |
| Total | <u><u>\$ 754,300</u></u> | <u><u>\$ 572,524</u></u> |

At June 30, 2022, the District's overall legal debt margin was \$23,744,312 and the unvoted debt margin was \$263,826. See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The Black River Local School District is a rural school district that encompasses 125 square miles in southwestern Medina, southern Lorain and northern Ashland counties. The Board of Education and administration closely monitor revenues and expenditures so as to remain financially sound. The District faces financial challenges from both local and State issues. The State currently provides approximately 51% of the district's operating revenue, while local taxpayers provide the remaining 49%. The district is on the guarantee with regard to State funding. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the School District is quite strong.

The School District's management will continue to carefully and prudently plan to provide effective and efficient programs and services to meet the needs of our students with all available resources.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brian Haines, Treasurer at Black River Local School District, 257-A County Road 40, Sullivan, Ohio 44880.

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**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2022

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 3,317,455 |
| Receivables: | |
| Property taxes | 7,391,365 |
| Accounts | 50,000 |
| Sales Tax | 208,585 |
| Intergovernmental | 395,505 |
| Prepayments | 14,214 |
| Materials and supplies inventory | 13,989 |
| Inventory held for resale | 4,247 |
| Net OPEB asset | 1,026,451 |
| Capital assets: | |
| Nondepreciable capital assets | 437,361 |
| Depreciable capital assets, net | 10,460,369 |
| Capital assets, net | 10,897,730 |
| Total assets | 23,319,541 |
| Deferred outflows of resources: | |
| Pension | 3,221,893 |
| OPEB | 394,278 |
| Total deferred outflows of resources | 3,616,171 |
| Liabilities: | |
| Accounts payable | 143,274 |
| Accrued wages and benefits payable | 1,494,794 |
| Intergovernmental payable | 57,716 |
| Pension and postemployment benefits payable | 259,510 |
| Accrued interest payable | 1,799 |
| Long-term liabilities: | |
| Due within one year | 185,462 |
| Due in more than one year: | |
| Net pension liability | 8,254,915 |
| Net OPEB liability | 1,074,148 |
| Other amounts due in more than one year | 1,085,954 |
| Total liabilities | 12,557,572 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year | 5,645,518 |
| Pension | 7,031,776 |
| OPEB | 1,830,347 |
| Total deferred inflows of resources | 14,507,641 |
| Net position: | |
| Net investment in capital assets | 10,534,430 |
| Restricted for: | |
| Capital projects | 335,313 |
| State funded programs | 514,449 |
| Federally funded programs | 21,374 |
| Food service operations | 123,519 |
| Student activities | 71,295 |
| Other purposes | 28,157 |
| Unrestricted (deficit) | (11,758,038) |
| Total net position (deficit) | \$ (129,501) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-----------------------------------|---------------------------------------|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 7,056,323 | \$ 188,210 | \$ 2,633,902 | \$ (4,234,211) |
| Special | 2,694,656 | 144,215 | 1,038,901 | (1,511,540) |
| Vocational | 365,811 | 12,314 | 24,671 | (328,826) |
| Adult/continuing | 13,585 | - | - | (13,585) |
| Other | 90,000 | - | - | (90,000) |
| Support services: | | | | |
| Pupil | 759,267 | - | 208,205 | (551,062) |
| Instructional staff | 376,577 | - | 75,966 | (300,611) |
| Board of education | 114,827 | - | - | (114,827) |
| Administration | 1,147,588 | 1,746 | 157,232 | (988,610) |
| Fiscal | 438,146 | - | 4,673 | (433,473) |
| Business | 32,565 | - | - | (32,565) |
| Operations and maintenance | 1,521,052 | 12,294 | 81,957 | (1,426,801) |
| Pupil transportation | 1,128,920 | 7,482 | 133,485 | (987,953) |
| Central | 17,108 | - | - | (17,108) |
| Operation of non-instructional services: | | | | |
| Food service operations | 574,541 | 26,736 | 742,124 | 194,319 |
| Other non-instructional services | 51,418 | - | 18,165 | (33,253) |
| Extracurricular activities | 483,266 | 226,046 | 28,802 | (228,418) |
| Interest and fiscal charges | 20,681 | - | - | (20,681) |
| Total governmental activities | \$ 16,886,331 | \$ 619,043 | \$ 5,148,083 | (11,119,205) |
| General revenues: | | | | |
| Property taxes levied for: | | | | |
| | | | | 6,998,179 |
| | | | | 268,076 |
| | | | | 296,760 |
| | | | | 6,649,254 |
| | | | | 14,316 |
| | | | | 2,420 |
| | | | | 14,229,005 |
| | | | | 3,109,800 |
| | | | | (3,239,301) |
| | | | | \$ (129,501) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

| | General | Elementary and Secondary School Emergency | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---|-----------------------------------|--------------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 2,217,716 | \$ - | \$ 1,099,739 | \$ 3,317,455 |
| Receivables: | | | | |
| Property taxes | 7,052,262 | - | 339,103 | 7,391,365 |
| Accounts | 50,000 | - | - | 50,000 |
| Interfund loans | 282,302 | - | - | 282,302 |
| Intergovernmental | 70,812 | 92,700 | 231,993 | 395,505 |
| Prepayments | 13,411 | - | 803 | 14,214 |
| Materials and supplies inventory | - | - | 13,989 | 13,989 |
| Inventory held for resale | - | - | 4,247 | 4,247 |
| Sales Tax | - | - | 208,585 | 208,585 |
| Total assets | <u>\$ 9,686,503</u> | <u>\$ 92,700</u> | <u>\$ 1,898,459</u> | <u>\$ 11,677,662</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 82,895 | \$ - | \$ 60,379 | \$ 143,274 |
| Accrued wages and benefits payable | 1,298,339 | 26,313 | 170,142 | 1,494,794 |
| Compensated absences payable | 36,875 | - | - | 36,875 |
| Intergovernmental payable | 55,318 | 349 | 2,049 | 57,716 |
| Pension and postemployment benefits payable | 213,357 | 4,693 | 41,460 | 259,510 |
| Interfund loans payable | - | 61,345 | 220,957 | 282,302 |
| Total liabilities | <u>1,686,784</u> | <u>92,700</u> | <u>494,987</u> | <u>2,274,471</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year | 5,389,179 | - | 256,339 | 5,645,518 |
| Delinquent property tax revenue not available | 307,151 | - | 14,761 | 321,912 |
| Intergovernmental revenue not available | 65,789 | - | 30,146 | 95,935 |
| Sales tax revenue not available | - | - | 137,071 | 137,071 |
| Total deferred inflows of resources | <u>5,762,119</u> | <u>-</u> | <u>438,317</u> | <u>6,200,436</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory | - | - | 13,989 | 13,989 |
| Prepays | 13,411 | - | 803 | 14,214 |
| Unclaimed funds | 1,974 | - | - | 1,974 |
| Restricted: | | | | |
| Capital improvements | - | - | 184,372 | 184,372 |
| Food service operations | - | - | 132,240 | 132,240 |
| State funded programs | - | - | 504,730 | 504,730 |
| Federally funded programs | - | - | 4,246 | 4,246 |
| Extracurricular | - | - | 71,790 | 71,790 |
| Other purposes | - | - | 26,183 | 26,183 |
| Committed: | | | | |
| Capital improvements | - | - | 118,089 | 118,089 |
| Assigned: | | | | |
| Student instruction | 99,125 | - | - | 99,125 |
| Student and staff support | 253,338 | - | - | 253,338 |
| Unassigned (deficit) | 1,869,752 | - | (91,287) | 1,778,465 |
| Total fund balances | <u>2,237,600</u> | <u>-</u> | <u>965,155</u> | <u>3,202,755</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 9,686,503</u> | <u>\$ 92,700</u> | <u>\$ 1,898,459</u> | <u>\$ 11,677,662</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

| | | | |
|---|----|--------------|--------------|
| Total governmental fund balances | | \$ | 3,202,755 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 10,897,730 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 321,912 | |
| Sales Tax Receivable | | 137,071 | |
| Intergovernmental receivable | | 95,935 | |
| Total | | 554,918 | 554,918 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (1,799) |
| The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds. | | | |
| Deferred outflows - pension | | 3,221,893 | |
| Deferred inflows - pension | | (7,031,776) | |
| Net pension liability | | (8,254,915) | |
| Deferred outflows - OPEB | | 394,278 | |
| Deferred inflows - OPEB | | (1,830,347) | |
| Net OPEB asset | | 1,026,451 | |
| Net OPEB liability | | (1,074,148) | |
| Total | | (13,548,564) | (13,548,564) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | (480,241) | |
| Lease payable | | (363,300) | |
| Energy Conservation Note | | (391,000) | |
| Total | | (1,234,541) | (1,234,541) |
| Net position (deficit) of governmental activities | | \$ | (129,501) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>General</u> | <u>Elementary and Secondary School Emergency</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--|--|---|
| Revenues: | | | | |
| Property taxes | \$ 6,986,268 | \$ - | \$ 267,413 | \$ 7,253,681 |
| Intergovernmental | 7,362,407 | 2,742,632 | 1,555,539 | 11,660,578 |
| Investment earnings | 14,316 | - | - | 14,316 |
| Tuition and fees | 332,425 | - | - | 332,425 |
| Extracurricular | 38,146 | - | 210,956 | 249,102 |
| Rental income | 10,460 | - | - | 10,460 |
| Charges for services | 320 | - | 26,736 | 27,056 |
| Contributions and donations | 133,629 | - | 3,500 | 137,129 |
| Miscellaneous | - | - | 12,191 | 12,191 |
| Sales Tax | - | - | 323,574 | 323,574 |
| Total revenues | <u>14,877,971</u> | <u>2,742,632</u> | <u>2,399,909</u> | <u>20,020,512</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,281,446 | 536,462 | 418,146 | 7,236,054 |
| Special | 2,332,403 | - | 569,566 | 2,901,969 |
| Vocational | 405,721 | - | 12,713 | 418,434 |
| Adult/continuing | 13,585 | - | - | 13,585 |
| Other | 90,000 | - | - | 90,000 |
| Support services: | | | | |
| Pupil | 772,119 | 1,148 | 34,215 | 807,482 |
| Instructional staff | 277,950 | 4,925 | 94,622 | 377,497 |
| Board of education | 116,405 | - | - | 116,405 |
| Administration | 1,144,420 | 4,795 | 31,559 | 1,180,774 |
| Fiscal | 464,236 | 970 | 5,295 | 470,501 |
| Business | 13,686 | - | - | 13,686 |
| Operations and maintenance | 1,374,447 | 15,738 | 365,137 | 1,755,322 |
| Pupil transportation | 1,042,746 | 1,366 | 163,480 | 1,207,592 |
| Central | 17,571 | - | - | 17,571 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 590,100 | 590,100 |
| Other non-instructional services | 37,908 | 1,577 | 15,075 | 54,560 |
| Extracurricular activities | 69,845 | 1,340 | 432,879 | 504,064 |
| Facilities acquisition and construction | - | 2,169,446 | 11,653 | 2,181,099 |
| Capital outlay | 293,756 | - | - | 293,756 |
| Debt service: | | | | |
| Principal retirement | 111,980 | - | - | 111,980 |
| Interest and fiscal charges | 19,879 | - | - | 19,879 |
| Total expenditures | <u>14,880,103</u> | <u>2,737,767</u> | <u>2,744,440</u> | <u>20,362,310</u> |
| Excess of revenues over expenditures | <u>(2,132)</u> | <u>4,865</u> | <u>(344,531)</u> | <u>(341,798)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 310,000 | 310,000 |
| Transfers (out) | (310,000) | - | - | (310,000) |
| Lease transaction | 293,756 | - | - | 293,756 |
| Total other financing sources (uses) | <u>(16,244)</u> | <u>-</u> | <u>310,000</u> | <u>293,756</u> |
| Net change in fund balances | (18,376) | 4,865 | (34,531) | (48,042) |
| Fund balances (deficit) at beginning of year | <u>2,255,976</u> | <u>(4,865)</u> | <u>999,686</u> | <u>3,250,797</u> |
| Fund balances at end of year | <u>\$ 2,237,600</u> | <u>\$ -</u> | <u>\$ 965,155</u> | <u>\$ 3,202,755</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | | |
|---|------------------|-------------------------|
| Net change in fund balances - total governmental funds | \$ | (48,042) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 2,827,742 | |
| Current year depreciation/amortization | <u>(755,157)</u> | |
| Total | | 2,072,585 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (30,625) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 12,574 | |
| Sales Tax | (26,814) | |
| Intergovernmental | <u>(10,141)</u> | |
| Total | | (24,381) |
| Repayment of bond and lease payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 111,980 |
| Issuance of lease payables are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. | | |
| | | (293,756) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| (Increase) in accrued interest payable | | (802) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 1,217,807 | |
| OPEB | <u>37,631</u> | |
| Total | | 1,255,438 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | 256,281 | |
| OPEB | <u>79,972</u> | |
| Total | | 336,253 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | <u>(268,850)</u> |
| Change in net position of governmental activities | \$ | <u>3,109,800</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 5,728,800 | \$ 5,728,800 | \$ 5,507,568 | \$ (221,232) |
| Intergovernmental | 7,149,190 | 7,149,190 | 7,149,040 | (150) |
| Investment earnings | - | - | 14,316 | 14,316 |
| Tuition and fees | - | - | 332,425 | 332,425 |
| Extracurricular | - | - | 2,283 | 2,283 |
| Rental income | - | - | 10,460 | 10,460 |
| Contributions and donations | - | - | 133,229 | 133,229 |
| Miscellaneous | 953,334 | 953,334 | 17,924 | (935,410) |
| Total revenues | <u>13,831,324</u> | <u>13,831,324</u> | <u>13,167,245</u> | <u>(664,079)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,407,866 | 11,632,842 | 5,669,224 | 5,963,618 |
| Special | 1,777,457 | 370,847 | 1,781,670 | (1,410,823) |
| Vocational | 292,203 | 69,910 | 281,565 | (211,655) |
| Adult/continuing | 10,725 | - | 13,585 | (13,585) |
| Other | 71,054 | - | 90,000 | (90,000) |
| Support services: | | | | |
| Pupil | 735,786 | 179,219 | 704,970 | (525,751) |
| Instructional staff | 271,107 | 60,980 | 266,156 | (205,176) |
| Board of education | 132,214 | 43,725 | 112,084 | (68,359) |
| Administration | 1,191,566 | 310,702 | 1,115,739 | (805,037) |
| Fiscal | 323,083 | 57,927 | 335,858 | (277,931) |
| Business | 41,148 | 11,364 | 37,725 | (26,361) |
| Operations and maintenance | 1,520,064 | 416,600 | 1,397,693 | (981,093) |
| Pupil transportation | 1,081,661 | 264,111 | 1,035,542 | (771,431) |
| Central | 14,120 | 2,865 | 14,256 | (11,391) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 26,035 | 5,913 | 25,487 | (19,574) |
| Extracurricular activities | 39,869 | 8,953 | 39,160 | (30,207) |
| Facilities acquisition and construction | 263,077 | 263,077 | - | 263,077 |
| Debt service: | | | | |
| Principal | - | - | 43,000 | (43,000) |
| Interest and fiscal charges | - | - | 11,963 | (11,963) |
| Total expenditures | <u>14,199,035</u> | <u>13,699,035</u> | <u>12,975,677</u> | <u>723,358</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(367,711)</u> | <u>132,289</u> | <u>191,568</u> | <u>59,279</u> |
| Other financing sources: | | | | |
| Refund of prior year's expenditures | 100,500 | 100,500 | 73,830 | (26,670) |
| Sale of capital assets | - | - | 7,779 | 7,779 |
| Total other financing sources (uses) | <u>100,500</u> | <u>100,500</u> | <u>81,609</u> | <u>(18,891)</u> |
| Net change in fund balance | (267,211) | 232,789 | 273,177 | 40,388 |
| Fund balance at beginning of year | 820,554 | 820,554 | 820,554 | - |
| Prior year encumbrances appropriated | 604,035 | 604,035 | 604,035 | - |
| Fund balance at end of year | <u>\$ 1,157,378</u> | <u>\$ 1,657,378</u> | <u>\$ 1,697,766</u> | <u>\$ 40,388</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 2,149,828 | \$ 2,794,328 | \$ 2,649,932 | \$ (144,396) |
| Total revenue | <u>2,149,828</u> | <u>2,794,328</u> | <u>2,649,932</u> | <u>(144,396)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 856,400 | 856,400 | 505,143 | 351,257 |
| Support services: | | | | |
| Pupil | - | - | 1,212 | (1,212) |
| Instructional staff | - | - | 4,925 | (4,925) |
| Administration | - | - | 4,795 | (4,795) |
| Fiscal | - | - | 1,032 | (1,032) |
| Operations and maintenance | - | - | 15,738 | (15,738) |
| Pupil transportation | - | - | 1,439 | (1,439) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | - | 3,992 | 1,715 | 2,277 |
| Extracurricular activities | - | - | 1,387 | (1,387) |
| Facilities acquisition and construction | 1,914,700 | 1,914,700 | 2,169,445 | (254,745) |
| Total expenditures | <u>2,771,100</u> | <u>2,775,092</u> | <u>2,706,831</u> | <u>68,261</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(621,272)</u> | <u>19,236</u> | <u>(56,899)</u> | <u>(76,135)</u> |
| Other financing sources (uses): | | | | |
| Advances in | - | - | 52,000 | 52,000 |
| Advances (out) | - | - | (4,446) | (4,446) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>47,554</u> | <u>47,554</u> |
| Net change in fund balance | (621,272) | 19,236 | (9,345) | (28,581) |
| Fund balance at beginning of year | - | - | - | - |
| Fund balance (deficit) at end of year | <u>\$ (621,272)</u> | <u>\$ 19,236</u> | <u>\$ (9,345)</u> | <u>\$ (28,581)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

| | <u>Custodial</u> |
|---|------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | <u>\$ 36,543</u> |
| Liabilities: | |
| Restricted for individuals, organizations and other governments | <u>\$ 36,543</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | <u>Custodial</u> |
|--|------------------|
| Additions: | |
| Earnings on investments | \$ 187 |
| Contributions and donations | 4,242 |
| Total additions | <u>4,429</u> |
| Deductions: | |
| Scholarships awarded | <u>3,950</u> |
| Change in net position | 479 |
| Net position at beginning of year | <u>36,064</u> |
| Net position at end of year | <u>\$ 36,543</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Black River Local School District (the “District”) is located in portions of Medina County, Ashland County and Lorain County in Northeast Ohio. The District includes all of the villages of Sullivan, Spencer, Homerville and portions of surrounding townships, covering approximately 125 square miles. The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District operates one comprehensive school, serving grades Pre-K through 8, and one high school. Including administrators, the District employs 66 non-certified and 101 certified full-time and part-time employees to provide services to approximately 1,130 students in grades Pre-K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Medina County Career Center (the “MCCC”)

The MCCC is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of students. The MCCC accepts non-tuition students from the District as a member District; however, it is considered a separate political subdivision and is not considered to be part of the District. The Board of Education of the MCCC consists of representatives from the Boards of each participating District. Financial information can be obtained by contacting the Treasurer of the Medina County Career Center, 1101 West Liberty Street, Medina, Ohio 44256-3842.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Midland Council of Governments (the “Midland COG”)

The Midland COG is a jointly governed organization among twenty-two boards of education. The Midland COG was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Midland COG is provided by member fees levied according to the number of students within each member’s respective District. The Executive Committee determines and sets the fees for all services.

Representation on the Midland COG consists of one member appointed by each member board of education. The representative shall be the Superintendent, Assistant Superintendent or Treasurer of the member district board of education. The Midland COG is governed by the Executive Committee who is elected for two year terms except the position of Fiscal Agent Superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two Superintendents, two Treasurers, two members-at-large and the Fiscal Agent Superintendent. Financial information can be obtained by contacting the Treasurer of the Midland COG, 2125 Eagle Pass, Wooster, Ohio 44691.

PUBLIC ENTITY RISK POOLS

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (the “Council”) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating District (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating Districts, based on the established premiums for the insurance plans. Each District reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract. Financial information can be obtained by contacting the Treasurer of the Council, 6057 Strip Avenue N.W., North Canton, Ohio 44720.

Ohio School Plan

The District participates in the Ohio School Plan (the “Plan”), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan’s business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuetz Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Administrative Services, LLC is the Plan’s administrator and is responsible for processing claims. The Plan has an agreement with Hylant Administrative Services, LLC (HAS) to provide underwriting, claim management, risk management, accounting, system support services, sales, and marketing for the Plan. All of these services are paid for by the Plan. Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43624.

B. Fund Accounting

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Elementary and secondary school education emergency relief (ESSER) fund - This fund is used to account for financial resources received and expenditures for the ESSER program.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension 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 have certain characteristics. The District does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial funds account for scholarship programs for students where the District does not select the recipient and has no administrative involvement.

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflow of Resources and Deferred Outflow of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 13 and 14 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes, shared sales tax, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a corresponding amount reported as intergovernmental revenue.

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

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original revenue budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final revenue budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate in effect when the final appropriations were passed prior to fiscal year-end.

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2022, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the custodial funds. Interest revenue credited to the general fund during fiscal year 2022 amounted to \$14,316, which includes \$5,054 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not made from the pool are reported as investments.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the consumption method on both the fund financial statements and the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventories consist of donated food, purchased food, and non-food supplies.

H. Capital Assets

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

| Description | Governmental Activities Estimated Lives |
|------------------------------------|---|
| Land improvements | 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture, fixtures, and equipment | 5 - 20 years |
| Vehicles | 6 - 10 years |
| Intangible leased assets | 5 years |

The District is reporting intangible right to use assets related to leased equipment. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

I. Interfund Activity

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

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

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liabilities to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, employees age fifty seven or greater with two years of service, age fifty two or greater with seven years of service or any age with twenty seven years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2022, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board has, by resolution, authorized the Treasurer to assign fund balances for encumbrances outstanding at year-end.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2022, there was no net position restricted by enabling legislation.

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

N. Contributions of Capital

Contributions of capital in the government-wide financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The District had no capital contributions in fiscal year 2022.

O. Estimates

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

P. Pensions/Other Postemployment Benefits (OPEB)

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2022.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", 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" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the District's fiscal year 2022 financial statements. The District recognized \$138,524 in governmental activities in leases payable at July 1, 2021; however, this entire amount was offset by the intangible asset, right to use lease - equipment.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

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

B. Deficit Fund Balances

Fund balances at June 30, 2022 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|----------------------------------|----------------|
| Vocational education enhancement | \$ 1,327 |
| IDEA Part B | 29,289 |
| Title I | 438 |
| Title II-A | 9,243 |
| Miscellaneous federal grants | 50,990 |

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$125 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2022, the carrying amount of all District deposits was \$3,353,873. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2022, \$2,980,584 of the District’s bank balance of \$3,514,605 was covered by the Ohio Pooled Collateral System, while \$534,021 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the District’s financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2022:

| | |
|---|---------------------|
| <u>Cash per note</u> | |
| Carrying amount of deposits | \$ 3,353,873 |
| Cash on hand | <u>125</u> |
| Total | <u>\$ 3,353,998</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 3,317,455 |
| Custodial funds | <u>36,543</u> |
| Total | <u>\$ 3,353,998</u> |

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Balances

Interfund balances at June 30, 2022, as reported on the fund statements consist of the following individual interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable funds</u> | <u>Amount</u> |
|------------------------|-----------------------------|-------------------|
| General fund | Nonmajor governmental funds | \$ 220,957 |
| General fund | ESSER fund | <u>61,345</u> |
| | | <u>\$ 282,302</u> |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following, as reported on the fund financial statements:

| <u>Transfers from the general fund to:</u> | <u>Amount</u> |
|--|-------------------|
| Nonmajor governmental funds | <u>\$ 310,000</u> |

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers during fiscal year 2022 were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the 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 fair 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 year 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 in 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Ashland, Lorain and Medina County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2022 taxes were collected are:

| | 2021 Second Half Collections | | 2022 First Half Collections | |
|---|---------------------------------|----------------------|--------------------------------|----------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 225,492,230 | 88.03 | \$ 231,616,630 | 87.79 |
| Public utility personal | <u>30,662,810</u> | <u>11.97</u> | <u>32,209,060</u> | <u>12.21</u> |
| Total | <u>\$ 256,155,040</u> | <u>100.00</u> | <u>\$ 263,825,690</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 52.00 | | \$ 51.30 | |

NOTE 7 - SHARED SALES TAX REVENUE

During 2007, the voters of Medina County passed an additional one-half percentage tax to be used for capital improvements at all Districts within the County. Collection began in October 2007. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County. The County then allocates this tax to the Districts within the County based on the student enrollment number. During fiscal year 2022, the District recorded shared sales tax revenue of \$323,574 in the capital grants fund (a nonmajor governmental fund).

NOTE 8 - RECEIVABLES

Receivables at June 30, 2022 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

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

Governmental activities:

| | |
|--------------------------------------|----------------------------|
| Property taxes | \$ 7,391,365 |
| Sales tax | 208,585 |
| Accounts | 50,000 |
| Intergovernmental | <u>395,505</u> |
| Total governmental activities | <u>\$ 8,045,455</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - CAPITAL ASSETS

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the District has reported capital assets for the right to use leased equipment which are reflected in the schedule below. Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

| | Restated Balance <u>06/30/21</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>06/30/22</u> |
|---|--|---------------------|---------------------|----------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated/amortized:</i> | | | | |
| Land | \$ 437,361 | \$ - | \$ - | \$ 437,361 |
| Construction-in-progress | <u>354,075</u> | <u>261,975</u> | <u>(616,050)</u> | <u>-</u> |
| Total capital assets, not being depreciated/amortized | <u>791,436</u> | <u>261,975</u> | <u>(616,050)</u> | <u>437,361</u> |
| <i>Capital assets, being depreciated/amortized:</i> | | | | |
| Land improvements | 2,110,504 | 49,340 | - | 2,159,844 |
| Buildings and improvements | 16,996,671 | 2,695,795 | (79,175) | 19,613,291 |
| Furniture, fixtures and equipment | 1,435,609 | - | (108,281) | 1,327,328 |
| Vehicles | 1,601,164 | 137,564 | - | 1,738,728 |
| Intangible right to use: | | | | |
| Leased equipment | <u>138,524</u> | <u>299,118</u> | <u>-</u> | <u>437,642</u> |
| Total capital assets, being depreciated/amortized | <u>22,282,472</u> | <u>3,181,817</u> | <u>(187,456)</u> | <u>25,276,833</u> |
| <i>Less: accumulated depreciation/amortization:</i> | | | | |
| Land improvements | (1,701,316) | (35,714) | - | (1,737,030) |
| Buildings and improvements | (10,089,582) | (498,718) | 53,443 | (10,534,857) |
| Furniture, fixtures and equipment | (1,255,701) | (35,954) | 103,388 | (1,188,267) |
| Vehicles | (1,171,539) | (107,872) | - | (1,279,411) |
| Intangible right to use: | | | | |
| Leased equipment | <u>-</u> | <u>(76,899)</u> | <u>-</u> | <u>(76,899)</u> |
| Total accumulated depreciation/amortization | <u>(14,218,138)</u> | <u>(755,157)</u> | <u>156,831</u> | <u>(14,816,464)</u> |
| Governmental activities capital assets, net | <u>\$ 8,855,770</u> | <u>\$ 2,688,635</u> | <u>\$ (646,675)</u> | <u>\$ 10,897,730</u> |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation/amortization expense was charged to governmental activities as follows:

| | |
|--|-------------------|
| Instruction: | |
| Regular | \$ 467,541 |
| Support Services: | |
| Instructional staff | 4,202 |
| Administration | 69,620 |
| Business | 18,879 |
| Operations and maintenance | 54,753 |
| Pupil transportation | 113,677 |
| Operation of non-instructional services: | |
| Food service operations | 6,496 |
| Extracurricular activities | 19,989 |
| Total depreciation/amortization expense | <u>\$ 755,157</u> |

NOTE 10 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 (see Note 3.A for detail), the District has reported obligations for leases payable which are reflected in the schedule below. During the fiscal year 2022, the following changes occurred in governmental activities long-term obligations.

| | Restated Balance <u>June 30, 2021</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2022</u> | Amounts Due in <u>One Year</u> |
|--|---|-------------------|-----------------------|---------------------------------|--------------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds: | | | | | |
| Energy conservation notes | \$ 434,000 | \$ - | \$ (43,000) | \$ 391,000 | \$ 45,000 |
| Capital lease obligation | 138,524 | 293,756 | (68,980) | 363,300 | 89,754 |
| Net pension liability | 15,623,520 | - | (7,368,605) | 8,254,915 | - |
| Net OPEB liability | 1,222,407 | - | (148,259) | 1,074,148 | - |
| Compensated absences | 225,134 | 345,240 | (53,258) | 517,116 | 50,708 |
| Total governmental activities long-term liabilities | <u>\$ 17,643,585</u> | <u>\$ 638,996</u> | <u>\$ (7,682,102)</u> | <u>\$ 10,600,479</u> | <u>\$ 185,462</u> |

Compensated Absences

Compensated absences will be paid from the fund from which the employee's salary is paid which, for the District, is primarily the general fund.

Net Pension/OPEB Liability

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Energy Conservation Notes

In fiscal year 2015, the District issued \$664,594 in energy conservation notes. The energy conservation notes bear an annual interest rate of 2.90% and mature on December 1, 2029. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the statement of net position. Payments of principal and interest relating to these notes are recorded as expenditures in the general fund. No capital assets were acquired as a result of the energy project as the District did not capitalize expenditures resulting from the energy conservation note issuance.

The following is a summary of the future annual debt service requirements to maturity for the energy conservation notes:

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2023 | \$ 45,000 | \$ 10,686 | \$ 55,686 |
| 2024 | 46,000 | 9,367 | 55,367 |
| 2025 | 47,000 | 8,019 | 55,019 |
| 2026 | 48,000 | 6,641 | 54,641 |
| 2027 | 49,000 | 5,235 | 54,235 |
| 2028 - 2030 | 156,000 | 6,845 | 162,845 |
| Total | <u>\$ 391,000</u> | <u>\$ 46,793</u> | <u>\$ 437,793</u> |

Leases Payable - The District has entered into lease agreements for the use of right to use equipment. Due to the implementation of GASB Statement No. 87, the District will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

The District has entered into lease agreements for copier equipment and buses at varying years and terms as follows:

| <u>Company</u> | Lease Commencement Date | Years | Lease End Date | Payment Method |
|----------------|-------------------------------|-------|----------------------|-------------------|
| MTBT | 2018 | 5 | 2022 | Monthly |
| M.O.M | 2021 | 5 | 2026 | Monthly |
| M.O.M | 2021 | 5 | 2026 | Monthly |
| M.O.M | 2022 | 5 | 2026 | Monthly |

The following is a schedule of future lease payments under the lease agreements:

| Fiscal Year | Principal | Interest | Total |
|-------------|-------------------|------------------|-------------------|
| 2023 | \$ 89,754 | \$ 9,580 | \$ 99,334 |
| 2024 | 80,011 | 7,112 | 87,123 |
| 2025 | 82,445 | 4,679 | 87,124 |
| 2026 | 81,150 | 2,176 | 83,326 |
| 2027 | 29,940 | 250 | 30,190 |
| Total | <u>\$ 363,300</u> | <u>\$ 23,797</u> | <u>\$ 387,097</u> |

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2022, are a voted debt margin of \$23,744,312 and an unvoted debt margin of \$263,826.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Vacation credit is earned one year and taken in the next. An employee may elect to carry over five days of credit from one year to the next but may not schedule or accumulate more than five weeks in any one calendar year. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of eighty days for certified and eighty seven days for classified employees with ten or more years of service with the District. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

B. Health Insurance

The District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the "Council"); a public entity risk pool that currently operates as a common risk management and health insurance program for member Districts. The District pays a monthly premium to the pool for health, prescription drug, and dental coverage. The pool agreement provides that the Council will be self-sustaining through member premiums, and the pool has purchased stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2022, the District purchased insurance coverage through the Ohio School Plan.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Ohio School Plan

The District is a member of the Ohio School Plan, an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to 278 participating Ohio schools (“Members”). Pursuant to Section 2744.081 of the Ohio Revised Code, the Ohio School Plan is deemed a separate legal entity. The Ohio School Plan provides property, general liability, educator’s legal liability, automobile, and violence coverages, modified for each member’s needs. The Ohio School Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

The Ohio School Plan issues its own policies and reinsures the School Plan with reinsurances carriers. Only if the Ohio School Plan’s paid liability loss ratio exceeds 65% and is less than 80% does the Ohio School Plan contribute to paid claims (see the Ohio School Plan’s audited financial statements on the website for more details). The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Ohio School Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members’ equity at December 31, 2020, 2019 and 2018:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------|---------------|---------------|---------------|
| Assets | \$ 16,691,066 | \$ 13,471,241 | \$ 12,967,922 |
| Liabilities | 7,777,013 | 4,909,663 | 4,843,762 |
| Members' equity | 8,914,053 | 8,561,578 | 8,124,160 |

You can read the complete audited financial statements for The Ohio School Plan at its website, www.ohioschoolplan.org under “*Financials*”. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

C. Workers’ Compensation

The District pays the State Workers’ Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates. The District does not utilize a third party administrator for premium remittance.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability/asset and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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 www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy – Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$305,703 for fiscal year 2022. Of this amount, \$46,973 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% 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% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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 that 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 employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$912,104 for fiscal year 2022. Of this amount, \$164,895 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|----------------------|--------------|
| Proportion of the net pension liability prior measurement date | 0.053979600% | 0.049813920% | |
| Proportion of the net pension liability current measurement date | <u>0.055026000%</u> | <u>0.048683439%</u> | |
| Change in proportionate share | <u>0.001046400%</u> | <u>-0.001130481%</u> | |
| Proportionate share of the net pension liability | \$ 2,030,300 | \$ 6,224,615 | \$ 8,254,915 |
| Pension expense | \$ 8,534 | \$ (264,815) | \$ (256,281) |

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|--------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 196 | \$ 192,311 | \$ 192,507 |
| Changes of assumptions | 42,752 | 1,726,821 | 1,769,573 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 42,006 | - | 42,006 |
| Contributions subsequent to the measurement date | <u>305,703</u> | <u>912,104</u> | <u>1,217,807</u> |
| Total deferred outflows of resources | <u>\$ 390,657</u> | <u>\$2,831,236</u> | <u>\$3,221,893</u> |
| | | | |
| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 52,654 | \$ 39,016 | \$ 91,670 |
| Net difference between projected and actual earnings on pension plan investments | 1,045,664 | 5,364,426 | 6,410,090 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>-</u> | <u>530,016</u> | <u>530,016</u> |
| Total deferred inflows of resources | <u>\$1,098,318</u> | <u>\$5,933,458</u> | <u>\$7,031,776</u> |

\$1,217,807 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Fiscal Year Ending June 30: | | | |
| 2023 | \$ (227,026) | \$ (1,058,955) | \$ (1,285,981) |
| 2024 | (216,762) | (893,782) | (1,110,544) |
| 2025 | (248,621) | (943,846) | (1,192,467) |
| 2026 | <u>(320,955)</u> | <u>(1,117,743)</u> | <u>(1,438,698)</u> |
| Total | <u>\$ (1,013,364)</u> | <u>\$ (4,014,326)</u> | <u>\$ (5,027,690)</u> |

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

| | |
|---|---|
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 3.00% |
| Future salary increases, including inflation: | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.50% to 18.20% |
| COLA or ad hoc COLA: | |
| Current measurement date | 2.00% |
| Prior measurement date | 2.50% |
| Investment rate of return: | |
| Current measurement date | 7.00% net of system expenses |
| Prior measurement date | 7.50% net of system expenses |
| Discount rate: | |
| Current measurement date | 7.00% |
| Prior measurement date | 7.50% |
| Actuarial cost method | Entry age normal (level percent of payroll) |

In 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% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% 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 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 a 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Cash | 2.00 % | (0.33) % |
| 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 Strategy | 4.00 | 3.47 |
| Private Debt/Private Credit | 3.00 | 5.28 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| District's proportionate share of the net pension liability | \$ 3,377,920 | \$ 2,030,300 | \$ 893,793 |

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

| | June 30, 2021 | June 30, 2020 |
|--------------------------------------|---|---|
| Inflation | 2.50% | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.00%, net of investment expenses, including inflation | 7.45%, net of investment expenses, including inflation |
| Discount rate of return | 7.00% | 7.45% |
| Payroll increases | 3.00% | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% | 0.00% |

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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 Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

| Asset Class | Target Allocation | Long-Term Expected Real 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 | <u>100.00 %</u> | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio'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 pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|--------------|
| District's proportionate share of the net pension liability | \$ 11,656,375 | \$ 6,224,615 | \$ 1,634,790 |

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

Plan Description - School Employees Retirement System (SERS)

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% 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 post-employment 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$37,631.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$37,631 for fiscal year 2022. Of this amount, \$37,631 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed 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% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|----------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date | 0.056245900% | 0.049813920% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.056755700%</u> | <u>0.048683439%</u> | |
| Change in proportionate share | <u>0.000509800%</u> | <u>-0.001130481%</u> | |
| Proportionate share of the net OPEB liability | \$ 1,074,148 | \$ - | \$ 1,074,148 |
| Proportionate share of the net OPEB asset | \$ - | \$ 1,026,451 | \$ 1,026,451 |
| OPEB expense | \$ 2,432 | \$ (82,404) | \$ (79,972) |

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 11,449 | \$ 36,548 | \$ 47,997 |
| Changes of assumptions | 168,509 | 65,565 | 234,074 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 74,576 | - | 74,576 |
| Contributions subsequent to the measurement date | <u>37,631</u> | <u>-</u> | <u>37,631</u> |
| Total deferred outflows of resources | <u>\$ 292,165</u> | <u>\$ 102,113</u> | <u>\$ 394,278</u> |
| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 534,974 | \$ 188,065 | \$ 723,039 |
| Net difference between projected and actual earnings on OPEB plan investments | 23,339 | 284,514 | 307,853 |
| Changes of assumptions | 147,096 | 612,356 | 759,452 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>14,065</u> | <u>25,938</u> | <u>40,003</u> |
| Total deferred inflows of resources | <u>\$ 719,474</u> | <u>\$ 1,110,873</u> | <u>\$ 1,830,347</u> |

\$37,631 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2023.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|-----------------------------|--------------|----------------|----------------|
| Fiscal Year Ending June 30: | | | |
| 2023 | \$ (107,640) | \$ (291,077) | \$ (398,717) |
| 2024 | (107,804) | (283,960) | (391,764) |
| 2025 | (103,026) | (273,418) | (376,444) |
| 2026 | (86,670) | (120,184) | (206,854) |
| 2027 | (45,724) | (40,962) | (86,686) |
| Thereafter | (14,076) | 841 | (13,235) |
| Total | \$ (464,940) | \$ (1,008,760) | \$ (1,473,700) |

Actuarial Assumptions - SERS

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

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

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

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**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021 are presented below:

| | |
|--|---|
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 3.00% |
| Future salary increases, including inflation: | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.50% to 18.20% |
| Investment rate of return: | |
| Current measurement date | 7.00% net of investment expense, including inflation |
| Prior measurement date | 7.50% net of investment expense, including inflation |
| Municipal bond index rate: | |
| Current measurement date | 1.92% |
| Prior measurement date | 2.45% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Current measurement date | 2.27% |
| Prior measurement date | 2.63% |
| Medical trend assumption: | |
| Current measurement date | |
| Medicare | 5.125 to 4.400% |
| Pre-Medicare | 6.750 to 4.400% |
| Prior measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |

In 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% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

| Asset Class | Target Allocation | Long-Term Expected 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 Strategy | 4.00 | 3.47 |
| Private Debt/Private Credit | 3.00 | 5.28 |
| Total | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. 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% of projected covered payroll each year, which includes a 1.50% 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% at June 30, 2021 and 2.45% at June 30, 2020.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|-------------|
| District's proportionate share of the net OPEB liability | \$ 1,331,000 | \$ 1,074,148 | \$ 868,957 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|-------------|-----------------------|--------------|
| District's proportionate share of the net OPEB liability | \$ 827,006 | \$ 1,074,148 | \$ 1,404,254 |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

| | June 30, 2021 | | June 30, 2020 | |
|--------------------------------------|---|----------|---|----------|
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.00%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discount rate of return | 7.00% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | Initial | Ultimate | Initial | Ultimate |
| Medical | | | | |
| Pre-Medicare | 5.00% | 4.00% | 5.00% | 4.00% |
| Medicare | -16.18% | 4.00% | -6.69% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 6.50% | 4.00% | 6.50% | 4.00% |
| Medicare | 29.98% | 4.00% | 11.87% | 4.00% |

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. 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:

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

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, 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%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| District's proportionate share of the net OPEB asset | \$ 866,166 | \$ 1,026,451 | \$ 1,160,344 |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| District's proportionate share of the net OPEB asset | \$ 1,154,919 | \$ 1,026,451 | \$ 867,587 |

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, all ODE adjustments have been finalized.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary 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 GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures for all funds (budget) rather than as an assignment or commitment of fund balance (GAAP);
- (d) Some funds are included in the general fund (GAAP 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 GAAP basis for the general fund and ESSER fund are as follows:

Net Change in Fund Balance

| | <u>General Fund</u> | <u>ESSER</u> |
|---|---------------------|-----------------|
| Budget basis | \$ 273,177 | \$ (9,345) |
| Net adjustment for revenue accruals | (141,477) | 92,700 |
| Net adjustment for expenditure accruals | (438,625) | (30,936) |
| Net adjustment for other sources/uses | 212,147 | (47,554) |
| Funds budgeted elsewhere | (264,895) | - |
| Adjustment for encumbrances | <u>341,297</u> | <u>-</u> |
| GAAP basis | <u>\$ (18,376)</u> | <u>\$ 4,865</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the public school support, emergency levy and the community services funds. In addition, the unclaimed monies fund is legally budgeted as a separate private-purpose, but is considered part of the general fund on a GAAP Basis.

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**BLACK RIVER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 17 - SET-ASIDES - (Continued)

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2021 | \$ - |
| Current year set-aside requirement | 181,292 |
| Current year qualifying expenditures | <u>(276,392)</u> |
| Total | <u>\$ (95,100)</u> |
| Balance carried forward to fiscal year 2023 | <u>\$ -</u> |
| Set-aside balance June 30, 2022 | <u>\$ -</u> |

The District had qualifying expenditures during the year that reduced the capital improvements set-aside amount to zero. Any excess of current year offsets or qualifying disbursements over the set-aside requirement may not be used to reduce the set-aside requirements of future years. The negative amount, therefore, would not be presented as being carried forward to the next fiscal year.

During fiscal year 1994, the District issued \$7,325,000 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods. As of June 30, 2022, the entire balance of \$7,325,000 was available to be used as offsets in future years.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. To the extent of available balances at June 30, 2022, encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the District's commitments for encumbrances in the governmental funds were as follows:

| | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| <u>Fund</u> | |
| General | \$ 336,213 |
| Nonmajor governmental | <u>172,143</u> |
| Total | <u>\$ 508,356</u> |

NOTE 19 - 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 District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.05502600% | 0.05397960% | 0.05298440% | 0.05130510% |
| District's proportionate share of the net pension liability | \$ 2,030,300 | \$ 3,570,324 | \$ 3,170,150 | \$ 2,938,338 |
| District's covered payroll | \$ 1,802,393 | \$ 1,815,064 | \$ 1,902,541 | \$ 1,796,044 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 112.64% | 196.71% | 166.63% | 163.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.86% | 68.55% | 70.85% | 71.36% |

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|--------------|--------------|--------------|--------------|
| 0.05221160% | 0.05265330% | 0.04935950% | 0.04299000% | 0.04299000% |
| \$ 3,119,528 | \$ 3,853,736 | \$ 2,816,501 | \$ 2,175,699 | \$ 2,556,477 |
| \$ 1,745,186 | \$ 1,416,193 | \$ 1,486,320 | \$ 1,249,214 | \$ 1,243,215 |
| 178.75% | 272.12% | 189.49% | 174.17% | 205.63% |
| 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST NINE FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.04868344% | 0.04981392% | 0.05178112% | 0.05205803% |
| District's proportionate share net pension liability | \$ 6,224,615 | \$ 12,053,196 | \$ 11,451,084 | \$ 11,446,392 |
| District's covered payroll | \$ 6,090,514 | \$ 6,015,707 | \$ 6,181,643 | \$ 5,862,957 |
| District's proportionate share of net pension liability as a percentage of its covered payroll | 102.20% | 200.36% | 185.24% | 195.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.78% | 75.48% | 77.40% | 77.31% |

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------|---------------|---------------|---------------|---------------|
| 0.05260419% | 0.05340814% | 0.05046910% | 0.05102495% | 0.05102495% |
| \$ 12,496,238 | \$ 17,877,314 | \$ 13,948,183 | \$ 12,411,034 | \$ 14,783,942 |
| \$ 5,815,314 | \$ 5,769,486 | \$ 5,372,929 | \$ 5,213,346 | \$ 5,579,485 |
| 214.88% | 309.86% | 259.60% | 238.06% | 264.97% |
| 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 305,703 | \$ 252,335 | \$ 254,109 | \$ 256,843 |
| Contributions in relation to the contractually required contribution | <u>(305,703)</u> | <u>(252,335)</u> | <u>(254,109)</u> | <u>(256,843)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,183,593 | \$ 1,802,393 | \$ 1,815,064 | \$ 1,902,541 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 13.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 242,466 | \$ 244,326 | \$ 198,267 | \$ 195,897 | \$ 173,141 | \$ 172,061 |
| <u>(242,466)</u> | <u>(244,326)</u> | <u>(198,267)</u> | <u>(195,897)</u> | <u>(173,141)</u> | <u>(172,061)</u> |
| <u>\$ -</u> |
| \$ 1,796,044 | \$ 1,745,186 | \$ 1,416,193 | \$ 1,486,320 | \$ 1,249,214 | \$ 1,243,215 |
| 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | 2022 | 2021 | 2020 | 2019 |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 912,104 | \$ 852,672 | \$ 842,199 | \$ 865,430 |
| Contributions in relation to the contractually required contribution | (912,104) | (852,672) | (842,199) | (865,430) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 6,515,029 | \$ 6,090,514 | \$ 6,015,707 | \$ 6,181,643 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 820,814 | \$ 814,144 | \$ 807,728 | \$ 752,210 | \$ 677,735 | \$ 725,333 |
| <u>(820,814)</u> | <u>(814,144)</u> | <u>(807,728)</u> | <u>(752,210)</u> | <u>(677,735)</u> | <u>(725,333)</u> |
| <u>\$ -</u> |
| \$ 5,862,957 | \$ 5,815,314 | \$ 5,769,486 | \$ 5,372,929 | \$ 5,213,346 | \$ 5,579,485 |
| 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.05675570% | 0.05624590% | 0.05436920% | 0.05223970% |
| District's proportionate share net OPEB liability | \$ 1,074,148 | \$ 1,222,407 | \$ 1,367,271 | \$ 1,449,270 |
| District's covered payroll | \$ 1,802,393 | \$ 1,815,064 | \$ 1,902,541 | \$ 1,796,044 |
| District's proportionate share of net OPEB liability as a percentage of its covered payroll | 59.60% | 67.35% | 71.87% | 80.69% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 24.08% | 18.17% | 15.57% | 13.57% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> |
|--------------|--------------|
| 0.05302700% | 0.05379747% |
| \$ 1,423,105 | \$ 1,533,427 |
| \$ 1,745,186 | \$ 1,416,193 |
| 81.54% | 108.28% |
| 12.46% | 11.49% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SIX FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|----------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability/asset | 0.04868344% | 0.04981392% | 0.05178112% | 0.05205803% |
| District's proportionate share net OPEB liability/(asset) | \$ (1,026,451) | \$ (875,479) | \$ (857,619) | \$ (836,519) |
| District's covered payroll | \$ 6,090,514 | \$ 6,015,707 | \$ 6,181,643 | \$ 5,862,957 |
| District's proportionate share of net OPEB liability/asset as a percentage of its covered payroll | 16.85% | 14.55% | 13.87% | 14.27% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 174.73% | 174.70% | 174.70% | 176.00% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> |
|--------------|--------------|
| 0.05260419% | 0.05340814% |
| \$ 2,052,421 | \$ 2,856,281 |
| \$ 5,815,314 | \$ 5,769,486 |
| 35.29% | 49.51% |
| 47.10% | 37.30% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 37,631 | \$ 36,538 | \$ 37,228 | \$ 43,029 |
| Contributions in relation to the contractually required contribution | <u>(37,631)</u> | <u>(36,538)</u> | <u>(37,228)</u> | <u>(43,029)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,183,593 | \$ 1,802,393 | \$ 1,815,064 | \$ 1,902,541 |
| Contributions as a percentage of covered payroll | 1.72% | 2.03% | 2.05% | 2.26% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 38,049 | \$ 29,106 | \$ 27,222 | \$ 34,846 | \$ 24,380 | \$ 23,855 |
| <u>(38,049)</u> | <u>(29,106)</u> | <u>(27,222)</u> | <u>(34,846)</u> | <u>(24,380)</u> | <u>(23,855)</u> |
| <u>\$ -</u> |
| \$ 1,796,044 | \$ 1,745,186 | \$ 1,416,193 | \$ 1,486,320 | \$ 1,249,214 | \$ 1,243,215 |
| 2.12% | 1.67% | 1.92% | 2.34% | 1.95% | 1.92% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 6,515,029 | \$ 6,090,514 | \$ 6,015,707 | \$ 6,181,643 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ 52,133 | \$ 55,795 |
| - | - | - | - | (52,133) | (55,795) |
| <u>\$ -</u> |
| \$ 5,862,957 | \$ 5,815,314 | \$ 5,769,486 | \$ 5,372,929 | \$ 5,213,346 | \$ 5,579,485 |
| 0.00% | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% |

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.

(Continued)

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION (CONTINUED)

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

(Continued)

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal Assistance Listing Number | Receipts | Expenditures |
|---|--|----------------------------|----------------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | |
| <u>Special Education Cluster:</u> | | | |
| Special Education - Grants to States | 84.027 | \$ 17,905 | \$ - |
| | | 236,884 | 269,435 |
| | | <u>12,517</u> | <u>12,517</u> |
| Total Special Education - Grants to States | | 267,306 | 281,952 |
| Special Education - Preschool Grants | 84.173 | 7,555 | 7,555 |
| Total Special Education Cluster | | <u>274,861</u> | <u>289,507</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 74,651 | 48,531 |
| | | 224,734 | 241,447 |
| | | <u>2,378</u> | <u>1,794</u> |
| Total Title I Grants to Local Educational Agencies | | 301,763 | 291,772 |
| Supporting Effective Instruction State Grants | 84.367 | 29,417 | 27,906 |
| | | 18,880 | 36,381 |
| Total Supporting Effective Instruction State Grants | | <u>48,297</u> | <u>64,287</u> |
| Student Support and Academic Enrichment Program | 84.424 | 11,295 | 10,345 |
| COVID-19 Education Stabilization Fund | 84.425D | 732,172 | 793,518 |
| | | 3,992 | - |
| | 84.425U | 1,913,768 | 1,913,768 |
| Total Education Stabilization Fund | | <u>2,649,932</u> | <u>2,707,286</u> |
| Total U.S. Department of Education | | <u>3,286,148</u> | <u>3,363,197</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| National School Lunch Program | 10.555 | 430,507 | 280,287 |
| COVID-19 National School Lunch Program | | 56,291 | 56,291 |
| Non-Cash Assistance | | <u>35,849</u> | <u>35,849</u> |
| Total National School Lunch Program | | 522,647 | 372,427 |
| School Breakfast Program | 10.553 | 214,336 | 214,336 |
| Total Child Nutrition Cluster | | <u>736,983</u> | <u>586,763</u> |
| COVID-19 State Pandemic Electronic Benefit Transfer | 10.649 | 614 | 614 |
| Total U.S. Department of Agriculture | | <u>737,597</u> | <u>587,377</u> |
| Totals | | <u>\$ 4,023,745</u> | <u>\$ 3,950,574</u> |

The accompanying notes are an integral part of this schedule.

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Black River Local School District, Medina County, Ohio (the 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 District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

Black River Local School District
Medina County
257-A County Road 40
Sullivan, Ohio 44880

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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Black River Local School District, Medina County, Ohio (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2023

OHIO AUDITOR OF STATE KEITH FABER



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

Black River Local School District
Medina County
257-A County Road 40
Sullivan, Ohio 44880

To the Board of Education:

Report on Compliance for the Major Federal Program

Qualified Opinion

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

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* section of our report, Black River Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2022.

Basis for Qualified Opinion

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

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

Matter Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in finding 2022-001 in the accompanying schedule of findings, the District did not comply with requirements regarding Special Tests and Provisions – Wage Rate Requirements applicable to its Education Stabilization Fund major federal program.

Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings as item 2022-002. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2022-001 and 2022-002, to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance findings identified in our audit described in the accompanying corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Black River Local School District
Medina County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 4

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

February 14, 2023

**BLACK RIVER LOCAL SCHOOL DISTRICT
MEDINA COUNTY**

**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)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Qualified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Education Stabilization Fund, AL 84.425 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

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

None

3. FINDINGS FOR FEDERAL AWARDS

1. Prevailing Wage Requirements

| | |
|--|--|
| Finding Number: | 2022-001 |
| AL Number and Title: | AL 84.425 Education Stabilization Fund |
| Federal Award Identification Number / Year: | 2022 |
| Federal Agency: | U.S. Department of Education |
| Compliance Requirement: | Special Tests and Provisions – Wage Rate Requirements |
| Pass-Through Entity: | Ohio Department of Education |
| Repeat Finding from Prior Audit? | No |

Noncompliance and Material Weakness

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

Appendix II to 2 CFR part 200, Paragraph D states that all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following:

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, “Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction”). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland “Anti-Kickback” Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States”). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

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

Lack of proper internal controls over Federal Grants management led to the District expending \$609,752 of its Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER II) Fund, AL #84.425D and \$1,898,392 of its Education Stabilization Fund - American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund, AL #84.425U, federal grant funds for the replacement/renovation of HVAC systems and related electrical work, and the design and build of kindergarten and high school classrooms without the District's contracts including a provision to ensure the contractors complied with Federal wage rate requirements. Additionally, the District did not obtain weekly certified payroll reports from the contractors to verify prevailing wages were paid on a weekly basis.

Without proper controls over wage rate requirements, there is an increased risk that the District and its contractors and subcontractors are not in compliance with applicable federal regulations. Noncompliance could result in federal funding being reduced or taken away, or other sanctions imposed by the federal grantor agency.

The District should ensure contracts for construction in excess of \$2,000 paid with federal grant monies contain a provision the contractor comply with the wage rate requirements and ensure certified payroll reports are provided weekly by the contractor. The District should review the certified payroll reports and report all suspected or reported violations to the Federal awarding agency.

Officials' Response: See Corrective Action Plan

2. Procurement

| | |
|--|---|
| Finding Number: | 2022-002 |
| AL Number and Title: | AL 84.425 Education Stabilization Fund |
| Federal Award Identification Number / Year: | 2022 |
| Federal Agency: | U.S. Department of Education |
| Compliance Requirement: | Procurement, Suspension, and Debarment |
| Pass-Through Entity: | Ohio Department of Education |
| Repeat Finding from Prior Audit? | No |

Noncompliance and Material Weakness

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

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at **2 CFR sections 200.318 through 200.327**. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in **2 CFR part 200**. A nonfederal entity must:

Noncompliance and Material Weakness – Procurement (Continued)

1. Meet the general procurement standards in 2 CFR 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR 200.319.
3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed \$10,000 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold (\$250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR 200.320(a)(1)(ii)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR 200.320(a)(2)(i)).
4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR 200.320(b)(1); the competitive proposals method under the conditions specified in 2 CFR 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of five circumstances are met, in accordance with 2 CFR 200.320(c).
5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR 200.324(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR 200.324(d)).
6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.327. These provisions are described in Appendix II to 2 CFR Part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

Black River Local School District Board Policy DJF-R – Purchasing Procedures indicates the following methods of procurement will be used for all purchases of goods and services made with federal funds:

1. Micro-purchases are purchases up to \$10,000 and may be made in accordance with District purchasing procedures when the costs are reasonable. To the extent practicable, these purchases are distributed equitably among qualified suppliers.
2. Small purchase are purchases between \$10,000 and \$250,000. Prior to authorizing the purchase, the District will try to obtain price rates or quotations from a minimum of three vendors or providers. The District will obtain these price rates or quotations by written quotes.
3. Sealed bid procedures are used for firm fixed price contracts over \$250,000 and is used as the preferred method for construction projects. Bids are solicited from an adequate number of known suppliers, which cannot be less than two responsible bidders. The District will solicit bids by posting bids using at least one public posting source. The contract will be awarded to the lowest responsive and responsible bidder.

Noncompliance and Material Weakness – Procurement (Continued)

4. Competitive proposals are used for all purchases over \$250,000 for which sealed bids are not appropriate and must be used for architectural or engineering services. Contracts entered into for competitive proposals may be fixed-price or cost reimbursement. The District will publicize a request for proposal by advertising through the local paper or using a procurement source. The District will evaluate proposals in order to award the contract to the most advantageous proposal when considering cost and other factors. The District will evaluate proposals by checklist and compare.
5. Sole source procurement is used only when the goods or services are only available from a single source; a public exigency or emergency exists; there is inadequate competition and the applicable pass through entity approves this method.

Lack of proper internal controls over Federal Grants management led to the District expending the following amounts without using the proper procurement method:

Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER II) Fund, AL #84.425D

- \$33,000 was paid to a vendor for electrical work related to a HVAC project; however, the District could not provide documentation to support the required price quotations were obtained from a minimum of three vendors.
- \$350,000 was paid to a vendor for a HVAC project; however, the District could not provide documentation to support sealed bids were solicited and received, and the contract awarded to the lowest responsive and responsible bidder.
- \$226,752 was paid to a vendor for a HVAC project; however, the District could not provide documentation to support the required price quotations were obtained from a minimum of three vendors.

Education Stabilization Fund - American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund, AL #84.425U

- \$1,898,392 was paid to a vendor for the design and build of kindergarten and high school classrooms; however, the District could not provide documentation to support sealed bids were solicited and received and the contract awarded to the lowest responsive and responsible bidder.

Without proper controls over procurement, there is an increased risk that the District is not in compliance with applicable federal regulations. Noncompliance could result in federal funding being reduced or taken away, or other sanctions imposed by the federal grantor agency.

The District should review the procurement requirements specified above and ensure the proper procurement method is used. The District should also maintain adequate documentation to detail the history of procurement.

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Black River Local School District

Board of Education

Chuck Stiver, President
Scott Meredith, Vice President
Amanda Grim
Cathie Morlock
Dan Sexton



Administration

Chris A. Clark, Superintendent
Brian P. Haines, Treasurer
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CORRECTIVE ACTION PLAN 2 CFR § 200.515

Finding Number: 2022-001
Planned Corrective Action: See Below
Anticipated Completion Date: 01/05/2023
Responsible Contact Person: Brian Haines, Treasurer

The District has implemented the following Action Plan for Correction:

1. The Treasurer will ensure that all agreements intended to be sourced through Federal Funds will contain prevailing wage rate provisions prior to signing any such agreements.
2. The Treasurer will ensure that invoices from contractors contain the necessary prevailing wage certified payroll reports prior to approving such invoices for payment from Federal Funds.
3. The Treasurer will educate all responsible parties (Accounts Payable, Superintendent) in the District regarding prevailing wage documentation to ensure appropriate documentation is obtained prior to payment to the contractors and prior to requesting Federal Funds.

Finding Number: 2022-002
Planned Corrective Action: See Below
Anticipated Completion Date: 01/05/2023
Responsible Contact Person: Brian Haines, Treasurer

1. The Treasurer will educate all responsible parties (Director of Curriculum, Assistant Superintendent, Accounts Payable, Superintendent) in the District regarding to Federal Procurement requirements.
2. The Treasurer will ensure that all requests follow the Districts Purchasing Procedures, as well as the Federal Procurement Requirements.

OHIO AUDITOR OF STATE KEITH FABER



BLACK RIVER LOCAL SCHOOL DISTRICT

MEDINA 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 3/2/2023

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

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