

SPENCERVILLE LOCAL SCHOOL DISTRICT

ALLEN COUNTY, OHIO

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**



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Columbus, Ohio 43215
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Board of Education
Spencerville Local School District
600 School Street
Spencerville, Ohio 45887

We have reviewed the *Independent Auditor's Report* of Spencerville Local School District, Allen County, prepared by Julian & Grube, Inc., for the audit period July 1, 2024 through June 30, 2025. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 19, 2026

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**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY, OHIO**

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Independent Auditor's Report

Spencerville Local School District
Allen County
600 School Street
Spencerville, Ohio 45887

To the Members of the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, Ohio, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Spencerville Local School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, as of June 30, 2025, and the respective changes in cash-basis financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with the cash basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Spencerville Local School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Spencerville Local School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Spencerville Local School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spencerville Local School 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025 on our consideration of Spencerville Local School District's internal control over financial reporting and on 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 Spencerville Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spencerville Local School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 19, 2025

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Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

The discussion and analysis of the Spencerville Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2025 are as follows:

- ❑ Net position decreased \$658,269 from fiscal year 2024.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Spencerville Local School District as a whole, 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 School District. 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 School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2025, the general fund and the permanent improvement fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)
(Continued)

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2025?" The statement of net position and the statement of activities answer this question.

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

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - All of the School 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 the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2025 compared to 2024.

(Table 1)
Net Position – Cash Basis

	Governmental Activities		
	2025	2024	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 13,661,528	\$ 14,353,223	\$ (691,695)
Cash and Cash Equivalents in Segregated Accounts	135,128	101,702	33,426
	<u>\$ 13,796,656</u>	<u>\$ 14,454,925</u>	<u>\$ (658,269)</u>
Net Position			
Restricted for:			
Capital Outlay	883,056	2,913,038	(2,029,982)
Debt Service	520,536	465,193	55,343
Permanent Funds			
Expendable	7,169	8,147	(978)
Nonexpendable	93,555	93,555	-
Other Purposes	1,078,036	1,129,573	(51,537)
Unrestricted	<u>11,214,304</u>	<u>9,845,419</u>	<u>1,368,885</u>
<i>Total Net Position</i>	<u>\$ 13,796,656</u>	<u>\$ 14,454,925</u>	<u>\$ (658,269)</u>

In order to understand what makes up the changes in net position for the current year, more information is given after Table 2.

A portion of the School District's net position represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position may be used to meet the School District's ongoing obligations.

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Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2025 as compared to fiscal year 2024.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities		
	2025	2024	Change
Receipts			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 544,521	\$ 612,665	\$ (68,144)
Operating Grants, Contributions, Interest	1,048,461	1,493,588	(445,127)
<i>Total Program Receipts</i>	<u>1,592,982</u>	<u>2,106,253</u>	<u>(513,271)</u>
<i>General Receipts</i>			
Property Taxes	3,912,066	3,578,539	333,527
Income Taxes	1,585,835	1,532,991	52,844
Grants & Entitlements not Restricted to Specific Programs	8,842,863	8,554,886	287,977
Other	577,785	815,635	(237,850)
<i>Total General Receipts</i>	<u>14,918,549</u>	<u>14,482,051</u>	<u>436,498</u>
<i>Total Receipts</i>	<u>16,511,531</u>	<u>16,588,304</u>	<u>(76,773)</u>
Program Disbursements			
Instruction:			
Regular	5,408,870	5,366,407	42,463
Special	2,012,905	1,804,922	207,983
Vocational	191,394	162,802	28,592
Other	54,148	111,403	(57,255)
Support Services:			
Pupils	847,181	811,356	35,825
Instructional Staff	432,948	395,617	37,331
Board of Education	45,598	23,588	22,010
Administration	1,023,057	1,024,159	(1,102)
Fiscal	390,348	436,298	(45,950)
Business	37,796	14,106	23,690
Operation and Maintenance of Plant	2,045,720	1,658,514	387,206
Pupil Transportation	894,640	668,566	226,074
Central	98,302	60,516	37,786
Operation of Non-Instructional Services:			
Food Service Operations	592,032	442,276	149,756
Community Services	23,825	25,415	(1,590)
Extracurricular Activities	623,909	731,813	(107,904)
Capital Outlay	2,010,437	289,524	1,720,913
Debt Service:			
Principal Retirement	354,000	343,000	11,000
Interest and Fiscal Charges	82,690	93,870	(11,180)
<i>Total Program Disbursements</i>	<u>17,169,800</u>	<u>14,464,152</u>	<u>2,705,648</u>
<i>Change in Net Position</i>	<u>(658,269)</u>	<u>2,124,152</u>	<u>(2,782,421)</u>
<i>Net Position Beginning of Year</i>	<u>14,454,925</u>	<u>12,330,773</u>	<u>2,124,152</u>
<i>Net Position End of Year</i>	<u>\$ 13,796,656</u>	<u>\$ 14,454,925</u>	<u>\$ (658,269)</u>

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)
(Continued)

The significant decrease in operating grants, contributions and interest is primarily related to a decrease in federal funding for special education and Elementary and Secondary School Emergency Relief (ESSER). The significant increase in disbursements for operation and maintenance of plant is primarily due to building repairs. Pupil transportation increased significantly due to the purchase of a bus. Capital outlay increased mainly due to a track and field resurfacing project.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The dependence upon tax receipts and general receipt entitlements from the state for governmental activities is apparent. Program receipts account for a small portion of all governmental disbursements; the community is the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The general fund's fund balance decreased \$4,888,052 due to a transfer of \$6,442,229 to the permanent improvement fund for projects related to the track and field resurfacing and other district improvements.

The permanent improvement fund's fund balance increased \$3,992,047 over the previous fiscal year due to the transfer from the general fund exceeding capital expenditures.

General Fund Budgeting Highlights

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

Original Budget Compared to Final Budget During the course of fiscal year 2025, there was a significant amendment from the original budget to the final budget to account for increased property and other local tax receipts and regular instruction disbursements.

Final Budget Compared to Actual Results For fiscal year 2025, budgeted receipts for property and other local tax receipts were higher than actual receipts mainly due to lower receipts because of Rover pipeline property valuation disputes. Actual disbursements were lower than final budgets for regular instruction, operation and maintenance of plant, and pupil transportation. This was due to planned disbursements not occurring during the fiscal year. Actual transfers out were higher than final budgeted amounts to align with the capital improvement plan. See Note 4 for more information.

Debt Administration

The School District's debt obligations decreased by \$354,000 from scheduled principal payments. Debt is paid from both the general fund and the bond retirement fund. See Note 10 for more information.

Spencerville Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)
(Continued)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jennifer Sudhoff, Treasurer of Spencerville Local School District, 600 School Street, Spencerville, OH 45887.

Spencerville Local School District
Allen County, Ohio
Statement of Net Position - Cash Basis
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 13,661,528
Cash and Cash Equivalents in Segregated Accounts	<u>135,128</u>
<i>Total Assets</i>	<u><u>13,796,656</u></u>
Liabilities	
Net Position	
Restricted for:	
Capital Outlay	883,056
Debt Service	520,536
Permanent Funds	
Expendable	7,169
Nonexpendable	93,555
Other Purposes	1,078,036
Unrestricted	<u>11,214,304</u>
<i>Total Net Position</i>	<u><u>\$ 13,796,656</u></u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2025

		Program Receipts		Net (Disbursement) Receipt and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 5,408,870	\$ 46,676	\$ 102,931	\$ (5,259,263)
Special	2,012,905	88,741	382,160	(1,542,004)
Vocational	191,394	-	-	(191,394)
Other	54,148	-	-	(54,148)
Support Services:				
Pupils	847,181	503	30,691	(815,987)
Instructional Staff	432,948	-	42,349	(390,599)
Board of Education	45,598	-	-	(45,598)
Administration	1,023,057	1,498	9,193	(1,012,366)
Fiscal	390,348	-	-	(390,348)
Business	37,796	-	-	(37,796)
Operation and Maintenance of Plant	2,045,720	134	175,198	(1,870,388)
Pupil Transportation	894,640	-	-	(894,640)
Central	98,302	-	-	(98,302)
Operation of Non-Instructional Services:				
Food Service Operations	592,032	179,126	274,727	(138,179)
Community Services	23,825	44	8,395	(15,386)
Extracurricular Activities	623,909	227,799	22,817	(373,293)
Capital Outlay	2,010,437	-	-	(2,010,437)
Debt Service:				
Principal Retirement	354,000	-	-	(354,000)
Interest and Fiscal Charges	82,690	-	-	(82,690)
<i>Totals</i>	<u>\$ 17,169,800</u>	<u>\$ 544,521</u>	<u>\$ 1,048,461</u>	<u>(15,576,818)</u>

General Receipts

Property Taxes Levied for:

General Purposes	3,383,581
Debt Service	358,121
Capital Outlay	127,941
Building Maintenance	42,423

Income Taxes Levied for:

General Purposes	1,585,835
Grants and Entitlements not Restricted to Specific Programs	8,842,863
Proceeds from Sale of Assets	1,212
Investment Earnings	523,433
Miscellaneous	53,140

Total General Receipts 14,918,549

Change in Net Position (658,269)

Net Position Beginning of Year 14,454,925

Net Position End of Year \$ 13,796,656

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2025

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 5,229,269	\$ 6,905,085	\$ 1,527,174	\$ 13,661,528
Cash and Cash Equivalents in Segregated Accounts	-	-	135,128	135,128
<i>Total Assets</i>	<u>\$ 5,229,269</u>	<u>\$ 6,905,085</u>	<u>\$ 1,662,302</u>	<u>\$ 13,796,656</u>
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 93,555	\$ 93,555
Restricted	-	883,056	1,605,741	2,488,797
Committed	309,744	6,022,029	-	6,331,773
Assigned	228,396	-	-	228,396
Unassigned	4,691,129	-	(36,994)	4,654,135
<i>Total Fund Balances</i>	<u>\$ 5,229,269</u>	<u>\$ 6,905,085</u>	<u>\$ 1,662,302</u>	<u>\$ 13,796,656</u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 3,383,581	\$ 127,941	\$ 400,544	\$ 3,912,066
Income Taxes	1,585,835	-	-	1,585,835
Intergovernmental	8,785,122	12,623	1,040,853	9,838,598
Investment Income	408,059	97,012	36,214	541,285
Tuition and Fees	134,842	-	-	134,842
Extracurricular Activities	3,108	-	226,737	229,845
Charges for Services	175	-	179,260	179,435
Rent	400	-	-	400
Contributions and Donations	4,250	-	30,623	34,873
Miscellaneous	51,967	-	1,173	53,140
<i>Total Receipts</i>	<u>14,357,339</u>	<u>237,576</u>	<u>1,915,404</u>	<u>16,510,319</u>
Disbursements				
Current:				
Instruction:				
Regular	5,395,045	-	13,825	5,408,870
Special	1,630,111	-	382,794	2,012,905
Vocational	185,670	-	5,724	191,394
Other	54,148	-	-	54,148
Support Services:				
Pupils	823,421	-	23,760	847,181
Instructional Staff	399,328	-	33,620	432,948
Board of Education	45,598	-	-	45,598
Administration	1,023,057	-	-	1,023,057
Fiscal	385,127	1,116	4,105	390,348
Business	37,796	-	-	37,796
Operation and Maintenance of Plant	1,368,471	646,805	30,444	2,045,720
Pupil Transportation	894,640	-	-	894,640
Central	76,882	21,420	-	98,302
Operation of Non-Instructional Services:				
Food Service Operations	-	-	592,032	592,032
Community Services	-	-	23,825	23,825
Extracurricular Activities	391,810	7,980	224,119	623,909
Capital Outlay	-	2,010,437	-	2,010,437
Debt Service:				
Principal Retirement	39,000	-	315,000	354,000
Interest and Fiscal Charges	39,270	-	43,420	82,690
<i>Total Disbursements</i>	<u>12,789,374</u>	<u>2,687,758</u>	<u>1,692,668</u>	<u>17,169,800</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,567,965</u>	<u>(2,450,182)</u>	<u>222,736</u>	<u>(659,481)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	1,212	-	-	1,212
Transfers In	-	6,442,229	15,000	6,457,229
Transfers Out	(6,457,229)	-	-	(6,457,229)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,456,017)</u>	<u>6,442,229</u>	<u>15,000</u>	<u>1,212</u>
<i>Net Change in Fund Balances</i>	<u>(4,888,052)</u>	<u>3,992,047</u>	<u>237,736</u>	<u>(658,269)</u>
<i>Fund Balances Beginning of Year</i>	<u>10,117,321</u>	<u>2,913,038</u>	<u>1,424,566</u>	<u>14,454,925</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,229,269</u>	<u>\$ 6,905,085</u>	<u>\$ 1,662,302</u>	<u>\$ 13,796,656</u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Change in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Receipts				
Property and Other Local Taxes	\$ 3,126,732	\$ 5,126,732	\$ 3,383,581	\$ (1,743,151)
Income Taxes	1,578,980	1,578,980	1,585,835	6,855
Intergovernmental	7,822,903	7,822,903	8,785,122	962,219
Investment Income	436,969	436,969	395,703	(41,266)
Tuition and Fees	70,770	70,770	134,716	63,946
Charges for Services	5,000	5,000	175	(4,825)
Rent	2,000	2,000	400	(1,600)
Contributions and Donations	6,300	6,300	3,650	(2,650)
Miscellaneous	4,920	4,920	20,662	15,742
<i>Total Receipts</i>	<u>13,054,574</u>	<u>15,054,574</u>	<u>14,309,844</u>	<u>(744,730)</u>
Disbursements				
Current:				
Instruction:				
Regular	6,359,280	9,359,275	5,405,500	3,953,775
Special	1,642,332	1,642,330	1,630,111	12,219
Vocational	216,437	216,437	185,670	30,767
Other	112,129	112,129	54,148	57,981
Support Services:				
Pupils	818,693	818,691	820,023	(1,332)
Instructional Staff	498,959	498,960	606,771	(107,811)
Board of Education	119,073	119,073	45,598	73,475
Administration	1,177,396	1,177,395	1,012,942	164,453
Fiscal	563,971	563,973	385,127	178,846
Business	38,638	38,638	37,796	842
Operation and Maintenance of Plant	2,011,652	2,011,654	1,374,471	637,183
Pupil Transportation	1,156,342	1,156,345	895,173	261,172
Central	151,070	151,070	80,758	70,312
Operation of Non-Instructional Services:				
Food Service Operations	793	793	-	793
Extracurricular Activities	544,215	544,215	384,343	159,872
Debt Service:				
Principal Retirement	41,808	41,808	39,000	2,808
Interest and Fiscal Charges	6,231	6,231	39,270	(33,039)
<i>Total Disbursements</i>	<u>15,459,019</u>	<u>18,459,017</u>	<u>12,996,701</u>	<u>5,462,316</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,404,445)</u>	<u>(3,404,443)</u>	<u>1,313,143</u>	<u>4,717,586</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	4,500	4,500	1,212	(3,288)
Insurance Recoveries	9,000	9,000	-	(9,000)
Refund of Prior Year Expenditures	-	-	30,886	30,886
Transfers Out	(1,065,000)	(1,065,000)	(6,614,829)	(5,549,829)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,051,500)</u>	<u>(1,051,500)</u>	<u>(6,582,731)</u>	<u>(5,531,231)</u>
<i>Net Change in Fund Balance</i>	<u>(3,455,945)</u>	<u>(4,455,943)</u>	<u>(5,269,588)</u>	<u>(813,645)</u>
<i>Fund Balance Beginning of Year</i>	<u>9,594,461</u>	<u>9,594,461</u>	<u>9,594,461</u>	<u>-</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>366,253</u>	<u>366,253</u>	<u>366,253</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 6,504,769</u>	<u>\$ 5,504,771</u>	<u>\$ 4,691,126</u>	<u>\$ (813,645)</u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Custodial Fund
June 30, 2025

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 10,468</u>
<i>Total Assets</i>	<u>10,468</u>
Net Position	
Held for Organizations	<u>10,468</u>
<i>Total Net Position</i>	<u><u>\$ 10,468</u></u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Custodial Fund
For the Fiscal Year Ended June 30, 2025

	<u>Custodial</u>
Additions	
Extracurricular Amounts Collected for Other Organizations	<u>10,895</u>
<i>Total Additions</i>	<u>10,895</u>
 Deductions	
Extracurricular Distributions to Other Organizations	<u>427</u>
<i>Total Deductions</i>	<u>427</u>
 <i>Change in Net Position</i>	 10,468
 <i>Net Position Beginning of Year</i>	 <u>-</u>
 <i>Net Position End of Year</i>	 <u><u>\$ 10,468</u></u>

See accompanying notes to the basic financial statements.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has the following component unit:

The Spencerville Education Foundation, Inc. (The "Foundation") is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government. The Spencerville Education Foundation fund is reported as a special revenue fund.

The Foundation was organized under the nonprofit corporation law of Ohio to operate exclusively for the benefit of the School District. The Foundation receives and administers donations for educational and public charitable purposes for which the School District was formed. The Foundation is governed by a nine member board of trustees. Two trustees shall at all times be members of the Board of Education, appointed by the Board of Education. One trustee shall at all times be the Superintendent of the School District, one trustee shall at all times be the Treasurer of the School District, and one trustee shall at all times be the Guidance Counselor of the School District. One trustee shall at all times be a representative selected by the Spencerville Chamber of Commerce and another selected by the Spencerville Parent-Teacher Organization. The remaining two Trustees shall be elected at the annual meeting of the Members.

The School District is associated with jointly governed organizations and insurance purchasing pools as described below.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Jointly Governed Organizations

The Ohio Purchasing Council (TOP-C) - The purpose of the Council is to undertake functions and duties as may be permitted under Ohio Revised Code Section 167.03 and Chapters 3311 and 3313 of the Ohio Revised Code. The mission of the Council is to pool resources and bargaining power to obtain quality merchandise and services commonly used by school districts, special districts, or other political subdivisions and to serve as a resource to members on matters related to facility capital expenditures.

Cooperative Purchasing Program - Ohio's Cooperative Purchasing Act. (AM. Sub. H.B. No. 100), as signed into law on December 4, 1985; and effective March 6, 1986, Ohio's Cooperative Purchasing Act provides the opportunity for counties, townships, municipal corporations, regional transit authorities, regional airport authorities or port authorities and school districts, conservancy districts, township park districts and park districts and other authorities, to participate in contracts distributed by the state of Ohio, Department of Administrative Services, Office of Cooperative Purchasing for the purchase of supplies, services, equipment and certain materials.

Northwest Ohio Area Computer Services Cooperative (NOACSC) - The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Ben Thaxton, who serves as Director, at 4277 East Road, Elida, Ohio 45807.

Apollo Career Center - The Apollo Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Career Center, Maria Rellinger, Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

West Central Regional Professional Development Center (the Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and, in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Northwestern Ohio Educational Research Council, Inc. (NOERC) - The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Gene Linton of the Northwestern Ohio Educational Research Council, Inc. (NOERC), 121 W. Main Street, Ashland, Ohio 44805.

Spencerville, Perry, and Bath Local Professional Development Committee (the Committee) - The Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each district, along with two administrators from the member districts chosen by the Superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the districts and used for the renewal of certificates and licenses. As of June 30, 2025 there was no financial information available for this committee.

Southwestern Ohio Educational Purchasing Council (SOEPC) – The SOEPC is a purchasing cooperative made up of 58 school districts in 34 counties (32 in Ohio and 2 in Kentucky). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. Six months prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Ohio Schools Council (the Council) – The Council was created by school districts for the purpose of saving money through volume purchases. The Council consists of over 270 school districts in 37 counties as well as 20 affiliate member municipalities, private schools, universities and libraries throughout Ohio. Each school district member superintendent serves as a representative of the Assembly. The Assembly is the legislative body of the Council. The Council operates under a nine-member Board of Directors (the Board). Five members of the Board are selected by the Assembly from among the member districts, and the remaining four are the representatives of the president, president-elect, past president and treasurer of the Greater Cleveland School Superintendents' Association. The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. To obtain financial information, write to William Zelei, Executive Director, at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Group Insurance Purchasing Pools

Allen County Schools Health Benefit Plan (the Plan) - The Allen County Schools Health Benefit Plan is a jointly governed organization among ten school districts and the Allen County Educational Service Center. The purpose of the jointly governed organization was to form a voluntary employee benefit association to provide medical, dental, vision, and life benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is currently provided by Medical Mutual of Ohio for medical and dental, Eyemed for Vision, and Dearborn Life for life Insurance. All risk of loss remains with the Plan and not the individual school districts.

The Plan is governed by an administrative committee consisting of the superintendent from each participating district. The degree of control exercised by any participating school district is limited to each representation on the committee. Financial information can be obtained from Karla Wireman, who serves as Treasurer, at 1920 Slabtown Road, Lima, Ohio 45801.

Sheakley Uniservice, Inc. Workers Compensation Group Rating Plan- The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Each year, participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council LFP (EPC-LFP) - The School District participates in the Southwestern Ohio Educational Purchasing Council LFP (Program), an insurance purchasing pool consisting of sixty school districts. The intent of the Program is to achieve the benefit of a reduced premium for the School District for its property and liability insurance by virtue of its grouping and representation with other participants in the Program. The Program's business and affairs are conducted by an Executive Council of eleven participation school administrators. Participation in the Program is by written application subject to acceptance by the Executive Council and the payment of an annual premium. The Administrator of the program was the Arthur J. Gallagher Company during fiscal year 2022. Starting July 1, 2023, the Administrator of the program is World Risk Management, which coordinates the management, administration, claims management, and actuarial studies of the Program. Insurance premiums are paid to the Purchasing Council. Financial information can be obtained from EPC-LFP, 303 Corporate Center Dr, Suite 208 Vandalia, OH 45377.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

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

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

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

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

The Statement of Net Position presents the cash and cash equivalent balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function.

Program receipts include charges paid by the recipient of the 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. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions.

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis of accounting or draws from the general receipts of the School District.

Fund Financial Statements

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Fund Accounting

The School District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Funds/Governmental Activities

Governmental funds are those through which all governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources (except those accounted for in fiduciary funds) are accounted for through governmental funds. The School District's major funds are the General and the Permanent Improvement Funds.

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

Permanent Improvement Fund – The Permanent Improvement Fund accounts for and reports all financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities or capital assets.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Fiduciary Fund Types

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the fiscal year, the appropriations were approved at the fund level.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

The Allen County Budget Commission has waived the requirement that school districts adopt and submit a tax budget. In lieu of the tax budget, school districts are required to submit the five-year forecast, the current bond estimated fund balance, and bond amortization schedules.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected receipt of each fund.

Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. The legal level of budgetary control selected by the Board is at the fund level. During the fiscal year, the appropriations were approved at the fund level.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund's appropriations must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements of governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Cash and Cash Equivalents

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

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

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

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

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal year 2025, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2025 was \$408,059, which included \$29,848 assigned from other School District funds.

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Inventory and Prepaid Items

On the cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying cash basis financial statements. Depreciation is not recorded on these capital assets.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Accumulated Leave

For fiscal year 2025, GASB Statement No. 101, *Compensated Absences*, was effective. GASB 101 defines a compensated absence as leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The School District does not offer noncash settlements. School District employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. This GASB pronouncement had no effect on beginning net position/fund balance as unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

Leases

Lease receivables/payables are not reflected under the School District's cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received, and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, subscription based information technology agreement (SBITA) or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease, SBITA and financed purchase payments are reported when paid.

Equity Classifications

Government-Wide Statements

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

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, maintenance, scholarships and federal and state grants restricted to disbursements for specified purposes. At June 30, 2025, there was no net position restricted by enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of "restricted."

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Fund Financial Statements

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and state reimbursement type grants are recorded as receipts when the grant is received.

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Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

Pensions and Other Postemployment Benefits (OPEB)

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial 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.

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

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 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.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was fully insured by the FDIC.

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Segregated Cash - The Goodwin Scholarship fund and Spencerville Education Foundation fund are maintained separately from the School District's deposits. The carrying amount of the deposits is reported as "Cash and Cash Equivalents in Segregated Accounts."

Investments

As of June 30, 2025, the School District had the following investments and maturities:

Investment	S&P Global Rating	Measurement Amount	Maturity (in months)			% Total Investments
			12 Months or Less	13 to 36 Months	More Than 36 Months	
NAV:						
STAR Ohio	AAAm	\$ 3,309,119	\$ 3,309,119	\$ -	\$ -	24.24%
Money Market	N/A	69,494	69,494	-	-	0.51%
Cost:						
Federal Agency Securities	AA	2,551,671	-	481,493	2,070,178	18.69%
US Treasury Notes	AA	3,828,798	-	283,223	3,545,575	28.04%
Negotiable Certificates of Deposit	N/A	1,230,399	245,000	244,633	740,766	9.01%
Commercial Paper	A-1	2,339,223	2,339,223	-	-	17.13%
Municipal Bonds	N/A	325,000	-	-	325,000	2.38%
Totals		\$ 13,653,704	\$ 5,962,836	\$ 1,009,349	\$ 6,681,519	100.00%

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2025, is 30 days.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2025 represents collections of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien December 31, 2023, were levied after April 1, 2024 and are collected in 2024 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Allen, Auglaize and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second-Half Collections		2025 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 150,182,860	90.1%	\$ 184,431,660	94.7%
Public Utility - Personal Property	16,504,660	9.9%	10,327,450	5.3%
Total Assessed Value	<u>\$ 166,687,520</u>	<u>100.0%</u>	<u>\$ 194,759,110</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$31.57		\$31.13	

NOTE 5 - INCOME TAXES

The School District renewed a tax levy of one percent for general operations on the income of residents and of estates. The income tax, previously renewed in November 2017 to continue through December 31, 2022, was renewed again in November 2021 and will continue through December 31, 2027. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

NOTE 6 - DIESEL SCHOLARSHIP FUND

The Diesel Scholarship Fund was established on November 7, 1967, through a trust agreement. Qualified students borrow amounts, determined yearly, dependent on the ability of the fund to pay for the costs of higher education. Repayments begin after termination of college attendance. At the close of fiscal year 2025, there was one student with a total outstanding principal balance of \$1,000. The balance is expected to be collectable in full. The fund balance is reported with other governmental fund balances on the Statement of Assets and Fund Balances – Cash Basis.

NOTE 7 - RISK MANAGEMENT

Public Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts for the following insurances: property and contents, general liability, vehicles, directors, officers and employment practices liability, employee dishonesty and crime liability, cyber liability, and pollution liability. An umbrella policy is carried to cover losses above the limits of various liability policies.

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.

Workers' Compensation

For fiscal year 2025, the School District participated in the Sheakley Uniservice, Inc. Workers Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 1). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience, and a common premium is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

The School District pays the State's Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This equity pooling arrangement ensures that each participant share equally in the overall performance of the Plan.

Employee Medical Benefits

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical, dental, vision, and life benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing because of withdrawal.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

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

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$238,080 for fiscal year 2025.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined 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. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary 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. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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For the Fiscal Year Ended June 30, 2025
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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty 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 on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$742,224 for fiscal year 2025.

Net Pension Liability

The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0404131%	0.03732976%	
Prior Measurement Date	0.0425342%	0.03816065%	
Change in Proportionate Share	<u>-0.0021211%</u>	<u>-0.00083089%</u>	
Proportionate Share of the Net Pension Liability	\$ 2,067,372	\$ 7,182,849	\$ 9,250,221

Spencerville Local School District
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For the Fiscal Year Ended June 30, 2025
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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. Future benefits for all current plan members were projected through 2137.

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, 2024, are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

Spencerville Local School District
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Notes to the Basic Financial Statements
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The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. 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. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2024 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 3,162,792	\$ 2,067,372	\$ 1,145,086

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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For the Fiscal Year Ended June 30, 2025
(Continued)

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net Pension Liability	\$ 11,587,194	\$ 7,182,849	\$ 3,457,530

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For the Fiscal Year Ended June 30, 2025
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. 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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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2025, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2025, the School District's surcharge obligation was \$30,321.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS were equal to the surcharge amount for fiscal year 2025.

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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

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(Continued)

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.0409413%	0.03732976%
Prior Measurement Date	0.0434798%	0.03816065%
Change in Proportionate Share	<u>-0.0025385%</u>	<u>-0.00083089%</u>
Proportionate Share of the Net		
OPEB Liability (Asset)	\$ 416,985	\$ (708,074)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

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(Continued)

	<u>June 30, 2024</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059
Municipal Bond Index Rate:	
Measurement Date	3.93 percent
Prior Measurement Date	3.86 percent
Single Equivalent Interest Rate,	
Measurement Date	4.88 percent
Prior Measurement Date	4.27 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	7.00 to 4.40 percent
Prior Measurement Date	6.75 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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(Continued)

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. As of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2023, and the June 30, 2024, 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 was 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 556,035	\$ 416,985	\$ 306,491

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(Continued)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 281,866	\$ 416,985	\$ 594,588

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.4 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on 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, 2024. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2024.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB (Asset)	\$ (575,748)	\$ (708,074)	\$ (823,259)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB (Asset)	\$ (831,040)	\$ (708,074)	\$ (560,192)

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NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2025 were as follows:

	Outstanding 06/30/2024	Additions	Reductions	Outstanding 06/30/2025	Due Within One Year
2017 School Energy Conservation Bonds	\$ 120,000	\$ -	\$ 39,000	\$ 81,000	\$ 40,000
2020 Various Purpose Refunding Serial and Term Bonds	2,815,000	-	315,000	2,500,000	325,000
Total Long-Term Obligations	<u>\$ 2,935,000</u>	<u>\$ -</u>	<u>\$ 354,000</u>	<u>\$ 2,581,000</u>	<u>\$ 365,000</u>

2017 School Energy Conservation Bonds – During 2017, the School District issued \$370,000 in general obligation bonds for the purpose of energy improvements. The bonds have an interest rate of 2.95 percent and mature on December 1, 2026. The bonds are subject to optional redemption, at par value, anytime on or after December 1, 2024. The bonds will be retired from the energy cost savings in the general fund.

2020 Various Purpose Refunding Bonds – In September 2020, the School District issued \$3,725,000 in voted general obligation bonds for the purpose of refunding a portion of the 2012 Various Purpose Refunding Bonds originally issued in the aggregate principal amount of \$4,523,907 for the purpose of refunding the 2004 School Improvement Bonds issued for the purpose of constructing, improving, and making additions to school buildings and related site development. The refunding bond issue consists of \$3,725,000 in serial bonds. The bonds have interest rates ranging from 2.0 to 3.0 percent. The bonds mature annually beginning December 1, 2020 and ending December 1, 2031.

The refunding bond issue provided resources to purchase US Government securities that were placed in trust with an escrow agent for the purpose of future debt service payments of \$4,005,000 of the 2012 bond issue. The advance refunding reduced cash flows required for debt service by \$318,271 over the next 11 years and resulted in an economic gain of \$330,000. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds. The bonds will be retired from the bond retirement fund.

Payment requirements to retire the bonds at June 30, 2025 are as follows:

Fiscal Year Ending June 30,	2017 School Energy Conservation		2020 Various Purpose Refunding Serial & Term	
	Principal	Interest	Principal	Interest
2026	\$ 40,000	\$ 1,800	\$ 325,000	\$ 70,125
2027	41,000	605	335,000	60,223
2028	-	-	345,000	50,025
2029	-	-	355,000	39,525
2030	-	-	370,000	28,650
2031-2032	-	-	770,000	23,250
Total	<u>\$ 81,000</u>	<u>\$ 2,405</u>	<u>\$ 2,500,000</u>	<u>\$ 271,798</u>

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For the Fiscal Year Ended June 30, 2025
(Continued)

NOTE 11 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2025, if applicable, cannot be determined at this time.

Litigation

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

Other Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the School District's commitments for encumbrances in the governmental funds were \$228,396 in the general fund, \$2,717,925 in the permanent improvement fund, and \$2,144 in nonmajor governmental funds.

Contractual Commitments

The School District had the following contractual commitments at the fiscal year end.

	Contractual Commitment	Expended	Remaining Commitment
K-12 Playground Installation	\$ 669,869	\$ -	\$ 669,869
K-12 Building Repair	848,993	-	848,993
K-12 Gym Bleacher Seat Replacement	210,763	-	210,763
K-12 Parking Lot	848,486	-	848,486
High School Science Lab Improvement	135,241	67,211	68,030
Track & Field Resurface	858,393	670,000	188,393
	<u>\$ 3,571,745</u>	<u>\$ 737,211</u>	<u>\$ 2,834,534</u>

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NOTE 12 - STATUTORY RESERVES

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

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

	<u>Capital Improvement</u>
Set Aside Reserve Balance June 30, 2024	\$ -
Current Year Set Aside Requirement	238,455
Current Year Qualifying Disbursements	(377,255)
Current Year Offsets	<u>(187,170)</u>
Total	<u>\$ (325,970)</u>
Balance Carried Forward to Fiscal Year 2026	<u>\$ -</u>
Set Aside Reserve Balance June 30, 2025	<u>\$ -</u>

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

NOTE 13 – INTERFUND TRANSACTIONS

During the fiscal year, the general fund transferred \$6,442,229 to the permanent improvement fund and \$15,000 to the district managed student activities fund to provide additional resources for current operations. Interfund transfers between governmental funds are eliminated in the statement of activities.

NOTE 14 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2025, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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In addition, the School District had disbursements exceeding appropriations in multiple funds, in noncompliance with Ohio Revised Code Section 5705.41(B) and 5705.40.

NOTE 15 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in cash basis fund balance – budget and actual (budget basis), presented for the general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

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

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Balance		General Fund
Cash basis	\$	(4,888,052)
Funds budgeted elsewhere **		(153,140)
Adjustment for encumbrances		<u>(228,396)</u>
Budget basis	\$	<u><u>(5,269,588)</u></u>

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting* certain funds that are legally budgeted in separate special revenue funds, are considered to be part of the General fund on a cash basis. This includes public school support and termination benefits.

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

NOTE 16 – FUND BALANCE

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

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

	General	Permanent Improvement	Other Governmental Funds	Total
Nonspendable for:				
Permanent Fund Principal	\$ -	\$ -	\$ 93,555	\$ 93,555
Total Nonspendable	-	-	93,555	93,555
Restricted for:				
Capital Improvements	-	883,056	-	883,056
Debt Service	-	-	520,536	520,536
Maintenance	-	-	292,100	292,100
Food Service Operations	-	-	425,478	425,478
Instructional	-	-	79,810	79,810
Student Activities	-	-	257,126	257,126
Other Purposes	-	-	30,691	30,691
Total Restricted	-	883,056	1,605,741	2,488,797
Committed for:				
Severance Payments	244,430	-	-	244,430
Educational Supplies	65,314	-	-	65,314
Capital Improvements	-	6,022,029	-	6,022,029
Total Committed	309,744	6,022,029	-	6,331,773
Assigned for:				
Instruction	10,544	-	-	10,544
Support Services	217,852	-	-	217,852
Total Assigned	228,396	-	-	228,396
Unassigned	4,691,129	-	(36,994)	4,654,135
Total Fund Balance	\$ 5,229,269	\$ 6,905,085	\$ 1,662,302	\$ 13,796,656

Spencerville Local School District
Allen County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025
(Continued)

Fund balances at June 30, 2025 included the following individual fund deficits:

	<u>Deficit</u>
<i>Non-Major Governmental Funds</i>	
IDEA B	2,417
Title I	28,580
Title II	273
Career-Technical Education Enhancement	<u>5,724</u>
Total	<u><u>\$ 36,994</u></u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Spencerville Local School District
Allen County
600 School Street
Spencerville, Ohio 45887

To the Members the Board of Education:

We have audited, in accordance with 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, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, Ohio, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Spencerville Local School District's basic financial statements and have issued our report thereon dated December 19, 2025, wherein we noted Spencerville Local School District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-002 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spencerville Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002.

Spencerville Local School District's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on Spencerville Local School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Spencerville Local School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Spencerville Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spencerville Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 19, 2025

**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2025**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2025-001

Noncompliance – Annual Financial Report:

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The School District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the School District being fined or other administrative remedies.

The School District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

Finding Number	2025-002
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Significant Deficiency/Noncompliance - Amended and Supplemental Appropriations:

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. In addition, Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section states that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The School District's General Fund, Permanent Improvement Fund, Title I Fund, and Title II Fund had budgetary disbursements in excess of appropriations.

By not timely and properly modifying the School District's appropriations, the School District is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in negative fund balances.

**SPENCERVILLE LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2025**

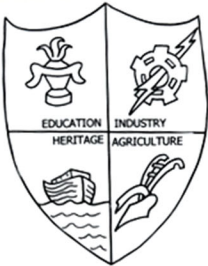
FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2025-002 (Continued)

We recommend the School District comply with Ohio Revised Code by monitoring disbursements, so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: The district acknowledges the finding. The variance resulted from prior-year encumbrances not being included in the calculation used to compare appropriations to total expenditures and encumbrances. A revised budget monitoring format has since been developed and vetted to ensure full compliance with Ohio Revised Code Sections 5705.40 and 5705.41(B). The district will utilize this updated format for all monthly budget-to-actual reviews and before any supplemental appropriation resolutions are presented to the Board.

SPENCERVILLE SCHOOLS

Learning and Growing Together as One School, One Community, One Purpose



K-12 Building
2500 Wisher Drive
Spencerville, OH 45887

Administrative Office
600 School Street
Spencerville, OH 45887

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2024-001	Unknown	Noncompliance – Annual Financial Report - Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than GAAP.	Not Corrected	Finding repeated as 2025-001 as the District did not prepare its annual financial report in accordance with GAAP.

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OHIO AUDITOR OF STATE KEITH FABER



SPENCERVILLE LOCAL SCHOOL DISTRICT

ALLEN 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 3/31/2026

65 East State 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