



OHIO AUDITOR OF STATE
KEITH FABER



**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2020**

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MAHONING COUNTY
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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Poland Local School District
Mahoning County
3199 Dobbins Road
Poland, Ohio 44514

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Poland Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 2, 2021

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The discussion and analysis of Poland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position increased \$2,687,445 from fiscal year 2019, due mostly to an increase in cash on hand and a decrease in the net pension and OPEB liabilities. The effects of GASB 68 and 75 distort the comparative analysis to follow in this MD&A due to the significant change in total expenses on a full accrual basis.
- General revenues accounted for \$21,720,310 in revenue or 93 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$1,601,046 or 7 percent of total revenues of \$23,321,356.
- The District had \$20,633,911 in expenses related to governmental activities; only \$1,601,046 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,720,310 were adequate to provide for these programs, as evidenced by the overall increase in net position.
- The District's major funds are the general fund and permanent improvement capital projects fund. On a modified accrual basis, the general fund had \$21,491,305 in revenues and \$21,433,235 in expenditures, excluding other financing sources and uses. The general fund balance increased \$432,515 from \$4,061,384 in fiscal year 2019, to \$4,493,899 in fiscal year 2020.
- The District's total net pension liability decreased to \$19,640,941 from \$19,915,583 and the OPEB liability decreased to \$316,988, from \$725,369, a combined decrease of \$683,023. For more information on these liabilities see Notes 15 and 16 to the basic financial statements.

Using these Basic Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the Poland Local School District, the general fund and permanent improvement capital projects funds are by far the most significant funds and the only ones reported as major.

Poland Local School District
Mahoning County, Ohio

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(Unaudited)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answers this question. These statements include *all assets and deferred outflows and liabilities and deferred inflows* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement capital projects fund.

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

Poland Local School District
Mahoning County, Ohio

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These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Table 1 shows net position for fiscal year 2020 as compared to fiscal year 2019.

Table 1 - Net Position
Governmental Activities

	2020	2019	Change
Assets			
Current and Other Assets	\$25,119,748	\$21,419,742	\$3,700,006
Capital Assets, Net	12,368,799	12,014,384	354,415
<i>Total Assets</i>	<u>37,488,547</u>	<u>33,434,126</u>	<u>4,054,421</u>
Deferred Outflows of Resources			
Pension	3,571,946	5,152,882	(1,580,936)
OPEB	310,999	214,490	96,509
<i>Total Deferred Outflows of Resources</i>	<u>3,882,945</u>	<u>5,367,372</u>	<u>(1,484,427)</u>
Liabilities			
Current Liabilities	2,502,453	2,349,268	153,185
Long-Term Liabilities			
Due within One Year	611,493	757,899	(146,406)
Due in More than One Year - Pension	19,640,941	19,915,583	(274,642)
Due in More than One Year - OPEB	1,522,788	725,369	797,419
Due in More than One Year - Other	5,134,882	4,347,461	787,421
<i>Total Liabilities</i>	<u>29,412,557</u>	<u>28,095,580</u>	<u>1,316,977</u>
Deferred Inflows of Resources			
Property Taxes	13,258,308	13,488,762	(230,454)
Pension	2,912,659	4,045,744	(1,133,085)
OPEB	2,674,430	2,745,319	(70,889)
<i>Total Deferred Inflows of Resources</i>	<u>18,845,397</u>	<u>20,279,825</u>	<u>(1,434,428)</u>
Net Position			
Net Investment in Capital Assets	6,783,365	8,021,861	(1,238,496)
Restricted	3,316,292	1,116,560	2,199,732
Unrestricted (Deficit)	<u>(16,986,119)</u>	<u>(18,712,328)</u>	<u>1,726,209</u>
<i>Total Net Position</i>	<u>(\$6,886,462)</u>	<u>(\$9,573,907)</u>	<u>\$2,687,445</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer

Poland Local School District
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understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's total net position was a negative \$6,886,462. Unrestricted net position at the end of the current fiscal year was a negative \$16,986,119.

The net investment in capital assets at June 30, 2020, was \$6,783,365. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Restricted net position of \$3,316,292 represents resources that are subject to external restriction on how they may be used.

Table 2 - Change in Net Position
Governmental Activities

	2020	2019	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$637,162	\$869,843	(\$232,681)
Operating Grants and Contributions	963,884	929,240	34,644
<i>Total Program Revenues</i>	<u>1,601,046</u>	<u>1,799,083</u>	<u>(198,037)</u>
General Revenues			
Property Taxes	14,143,641	13,661,954	481,687
Intergovernmental	7,255,186	7,803,553	(548,367)
Investment Earnings	149,569	151,242	(1,673)
Miscellaneous	171,914	131,387	40,527
<i>Total General Revenues</i>	<u>21,720,310</u>	<u>21,748,136</u>	<u>(27,826)</u>
<i>Total Revenues</i>	<u>\$23,321,356</u>	<u>\$23,547,219</u>	<u>(\$225,863)</u>
Program Expenses			
Instruction	12,188,733	10,085,771	2,102,962
Support Services	6,818,293	6,303,767	514,526
Operation of Non-Instructional/Food Services	723,184	672,491	50,693
Extracurricular Activities	735,924	714,372	21,552
Interest and Fiscal Charges	167,777	147,405	20,372
<i>Total Program Expenses</i>	<u>20,633,911</u>	<u>17,923,806</u>	<u>2,710,105</u>
<i>Change in Net Position</i>	<u>2,687,445</u>	<u>5,623,413</u>	<u>(2,935,968)</u>
Net Position Beginning of Year	(9,573,907)	(15,197,320)	5,623,413
<i>Net Position End of Year</i>	<u>(\$6,886,462)</u>	<u>(\$9,573,907)</u>	<u>\$2,687,445</u>

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Governmental Activities

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 92 percent of total governmental revenue. Between these two revenue items, 100 percent of total expenses were funded this fiscal year.

The largest expense of the District is for its instructional programs. Instructional expenses totaled \$12,188,733, or 59 percent, of total governmental expenses of \$20,633,911. The effects of GASB 68 and 75 distort this comparative analysis due to the significant impact changes made to cost of living adjustments enacted by the state pension board had on the District's share of the total pension/OPEB liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2020 and 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total and Net Cost of Program Services

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$12,188,733	\$11,678,298	\$10,085,771	\$9,564,200
Support Services	6,818,293	6,579,624	6,303,767	6,107,594
Operation of Non-Instructional/Food Services	723,184	65,188	672,491	(48,927)
Extracurricular Activities	735,924	541,978	714,372	354,451
Interest and Fiscal Charges	167,777	167,777	147,405	147,405
<i>Total Expenditures</i>	\$20,633,911	\$19,032,865	\$17,923,806	\$16,124,723

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were mostly funded by program revenues during the fiscal year. The large increase in instructional and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better understanding of operations, please refer to the fund analysis on the next following pages.

The dependence upon general tax revenues and other general revenues for governmental activities is apparent. 100 percent of all District expenses are supported through general revenues. For all governmental activities, general revenue and prior year cash balances support all expenses as shown in the above table. The community, as a whole, is by far the primary support for District students.

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$7,693,586 which is an increase from last year's total of \$5,081,942 by 51 percent. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019.

Poland Local School District
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Management's Discussion and Analysis
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(Unaudited)

	Fund Balance June 30, 2020	Fund Balance June 30, 2019	Increase (Decrease)
General	\$4,493,899	\$4,061,384	\$432,515
Permanent Improvement	3,196,613	1,039,454	2,157,159
Other Governmental	3,074	(18,896)	21,970
Total	\$7,693,586	\$5,081,942	\$2,611,644

General Fund

During fiscal year 2020, the District's general fund balance increased on a modified accrual basis by \$432,515; total revenues within the general fund decreased by less than 2 percent and expenditures increased by over 7 percent due to an increase in debt service related to a current refunding transaction. The following table assists in illustrating the financial activities and fund balance of the general fund.

	2020 Amount	2019 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$13,748,971	\$13,368,938	2.8 %
Earnings on investments	148,525	149,640	(0.7) %
Intergovernmental	7,206,814	7,740,528	(6.9) %
Other revenues	386,995	508,942	(24.0) %
Total	\$21,491,305	\$21,768,048	(1.3) %
<u>Expenditures</u>			
Instruction	11,289,760	11,484,178	(1.7) %
Support services	6,905,842	7,046,015	(2.0) %
Extracurricular activities	494,075	516,527	(4.3) %
Capital outlay	489,087	403,758	21.1 %
Debt service	2,254,471	411,915	447.3 %
Total	\$21,433,235	\$19,862,393	7.9 %

General Fund Budgeting Highlights

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

During the course of fiscal year 2020 the District amended its General Fund budget as needed.

For the General Fund, actual revenue, excluding other financing sources, was \$20,930,468, which was \$8,196 less than the final budgeted revenue of \$20,938,664, and was \$432,241 less than the original budget estimate of \$21,362,709. The actual and the final budgeted revenue amounts were less than the original budget due to a decrease in property tax collections not accounted for in the original budget.

Total actual expenditures, excluding other financing uses, were \$21,439,302, which was \$40,417 less than final appropriations of \$21,479,719, and \$712,792 more than original appropriations. The variance with original appropriations was due to an increase in debt service costs not included in the original budget.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$12,368,799 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles.

Table 4 shows fiscal year 2020 balances compared to fiscal year 2019:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	2020	2019
Land	\$304,780	\$304,780
Land Improvements	320,358	252,808
Buildings and Improvements	10,386,391	10,380,272
Furniture, Fixtures and Equipment	1,111,316	838,300
Vehicles	245,954	238,224
<i>Total</i>	\$12,368,799	\$12,014,384

All capital assets, except land, are reported net of depreciation. As one can see, the District had an overall increase in capital assets of \$354,415. The reason for this increase is due to current year additions of \$967,497 exceeding current year depreciation of \$607,582 and net disposals of \$5,500. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Outstanding Obligations

Long-Term Obligations

The following table summarizes all of the District's outstanding long-term obligations.

Table 5
Outstanding Long-Term Obligations at Year End

	2020	2019
Lease Purchase Obligations	\$4,585,434	\$3,992,523
Compensated Absences	1,160,941	1,112,837
Net Pension Liability	19,640,941	19,915,583
Net OPEB Liability	316,988	725,369
<i>Total</i>	\$25,704,304	\$25,746,312

See Note 13 to the basic financial statements for additional information on the District's long-term debt obligations.

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Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant revenue is expected to decrease, the reliance upon local taxes is increasingly important. Property taxes account for nearly 60 percent of the District's general fund operating revenue; thus making all levy renewals an urgent matter.

A challenge still facing the District is the future of state funding. At this time, the District is unable to determine what effect future State funding will have on its financial operations. Less than 30 percent of the District's general fund operating revenue is received under the current state funding formula.

In conclusion, the District has committed itself to financial excellence for many years. The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Treasurer, Poland Local School District, 3199 Dobbins Road, Poland, Ohio 44514.

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Poland Local School District

Mahoning County, Ohio

*Statement of Net Position**June 30, 2020*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,628,135
Accounts Receivable	6,053
Property Taxes Receivable	14,276,261
Inventory Held for Resale	3,499
Net OPEB Asset	1,205,800
Nondepreciable Capital Assets	304,780
Depreciable Capital Assets, Net	12,064,019
<i>Total Assets</i>	<u>37,488,547</u>
Deferred Outflows of Resources	
Pension	3,571,946
Other Postemployment Benefits	310,999
<i>Total Deferred Outflows of Resources</i>	<u>3,882,945</u>
Liabilities	
Accounts Payable	36,832
Accrued Wages and Benefits Payable	1,949,926
Intergovernmental Payable	449,504
Matured Compensated Absences Payable	45,939
Accrued Interest Payable	20,252
Long-Term Liabilities:	
Due Within One Year	611,493
Due In More Than One Year:	
Net Pension Liability	19,640,941
Other Postemployment Benefits Liability	1,522,788
Other Amounts Due in More than One Year	5,134,882
<i>Total Liabilities</i>	<u>29,412,557</u>
Deferred Inflows of Resources	
Property Taxes	13,258,308
Pension	2,912,659
Other Postemployment Benefits	2,674,430
<i>Total Deferred Inflows of Resources</i>	<u>18,845,397</u>
Net Position	
Net Investment in Capital Assets	6,783,365
Restricted for:	
Capital Projects	3,208,464
Other Purposes	107,828
Unrestricted (Deficit)	(16,986,119)
<i>Total Net Position</i>	<u>(\$6,886,462)</u>

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2020

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$9,379,749	\$79,337	\$1,534	(\$9,298,878)
Special	2,550,205	20,608	336,072	(2,193,525)
Vocational	179,867	0	0	(179,867)
Adult/Continuing	78,583	72,884	0	(5,699)
Other	329	0	0	(329)
Support Services:				
Pupils	1,337,231	0	162,980	(1,174,251)
Instructional Staff	396,582	0	46,010	(350,572)
Board of Education	151,028	0	0	(151,028)
Administration	1,608,523	0	0	(1,608,523)
Fiscal	500,821	0	7,200	(493,621)
Operation and Maintenance of Plant	1,914,365	0	8,148	(1,906,217)
Pupil Transportation	754,693	14,331	0	(740,362)
Central	155,050	0	0	(155,050)
Operation of Non-Instructional Services	723,184	262,796	395,200	(65,188)
Extracurricular Activities	735,924	187,206	6,740	(541,978)
Interest and Fiscal Charges	167,777	0	0	(167,777)
<i>Total Governmental Activities</i>	<u>\$20,633,911</u>	<u>\$637,162</u>	<u>\$963,884</u>	<u>(19,032,865)</u>
General Revenues				
Property Taxes Levied for:				
				13,797,773
				345,868
Grants and Entitlements not				
				7,255,186
				149,569
				171,914
<i>Total General Revenues</i>				<u>21,720,310</u>
				2,687,445
				(9,573,907)
				<u>(\$6,886,462)</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,245,209	\$3,198,782	\$184,144	\$9,628,135
Accounts Receivable	6,053	0	0	6,053
Interfund Receivable	3,660	0	0	3,660
Property Taxes Receivable	13,924,613	351,648	0	14,276,261
Inventory Held for Resale	0	0	3,499	3,499
<i>Total Assets</i>	<u>\$20,179,535</u>	<u>\$3,550,430</u>	<u>\$187,643</u>	<u>\$23,917,608</u>
Liabilities				
Accounts Payable	\$20,945	\$15,423	\$464	\$36,832
Accrued Wages and Benefits Payable	1,814,737	0	135,189	1,949,926
Intergovernmental Payable	409,409	0	40,095	449,504
Matured Compensated Absences Payable	40,778	0	5,161	45,939
Interfund Payable	0	0	3,660	3,660
<i>Total Liabilities</i>	<u>2,285,869</u>	<u>15,423</u>	<u>184,569</u>	<u>2,485,861</u>
Deferred Inflows of Resources				
Property Taxes	12,931,765	326,543	0	13,258,308
Unavailable Revenue - Property Taxes	468,002	11,851	0	479,853
<i>Total Deferred Inflows of Resources</i>	<u>13,399,767</u>	<u>338,394</u>	<u>0</u>	<u>13,738,161</u>
Fund Balances				
Restricted	0	1,946,613	120,988	2,067,601
Assigned	298,128	1,250,000	0	1,548,128
Unassigned (Deficit)	4,195,771	0	(117,914)	4,077,857
<i>Total Fund Balances</i>	<u>4,493,899</u>	<u>3,196,613</u>	<u>3,074</u>	<u>7,693,586</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$20,179,535</u>	<u>\$3,550,430</u>	<u>\$187,643</u>	<u>\$23,917,608</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020*

Total Governmental Fund Balances	\$7,693,586
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,368,799
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	479,853
The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Deferred Outflows - Pension	3,571,946
Deferred Inflows - Pension	(2,912,659)
Net Pension Liability	(19,640,941)
Deferred Outflows - OPEB	310,999
Deferred Inflows - OPEB	(2,674,430)
Net OPEB Asset	1,205,800
Net OPEB Liability	<u>(1,522,788)</u>
Total	(21,662,073)
In the statement of activities, interest is accrued on outstanding bonds and lease purchase agreements, whereas in governmental funds, an interest expenditure is reported when due.	(20,252)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Lease Purchase Agreements	(4,585,434)
Compensated Absences	<u>(1,160,941)</u>
Total	<u>(5,746,375)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$6,886,462)</u></u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$13,748,971	\$344,620	\$0	\$14,093,591
Tuition and Fees	180,214	0	0	180,214
Interest	148,525	0	1,044	149,569
Charges for Services	0	0	262,796	262,796
Extracurricular Activities	41,089	0	138,117	179,206
Rentals	6,946	0	8,000	14,946
Contributions and Donations	6,740	0	0	6,740
Intergovernmental	7,206,814	48,372	1,037,523	8,292,709
Miscellaneous	152,006	8,000	11,908	171,914
<i>Total Revenues</i>	<u>21,491,305</u>	<u>400,992</u>	<u>1,459,388</u>	<u>23,351,685</u>
Expenditures				
Current:				
Instruction:				
Regular	8,874,723	0	1,534	8,876,257
Special	2,159,590	0	366,706	2,526,296
Vocational	176,535	0	0	176,535
Adult/Continuing	78,583	0	0	78,583
Other	329	0	0	329
Support Services:				
Pupils	1,169,658	0	203,781	1,373,439
Instructional Staff	322,568	0	55,682	378,250
Board of Education	151,028	0	0	151,028
Administration	1,670,193	0	0	1,670,193
Fiscal	485,979	0	7,200	493,179
Operation and Maintenance of Plant	2,055,675	15,423	17,876	2,088,974
Pupil Transportation	854,337	0	0	854,337
Central	196,404	0	0	196,404
Operation of Non-Instructional Services	0	0	743,743	743,743
Extracurricular Activities	494,075	0	107,896	601,971
Capital Outlay	489,087	478,410	0	967,497
Debt Service:				
Principal Retirement	2,124,799	2,352,724	0	4,477,523
Interest and Fiscal Charges	129,672	28,265	0	157,937
<i>Total Expenditures</i>	<u>21,433,235</u>	<u>2,874,822</u>	<u>1,504,418</u>	<u>25,812,475</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>58,070</u>	<u>(2,473,830)</u>	<u>(45,030)</u>	<u>(2,460,790)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,000	0	0	2,000
Proceeds of Lease Purchase Agreement	0	1,000,000	0	1,000,000
Proceeds of Lease Purchase - Current Refunding	1,689,445	2,380,989	0	4,070,434
Transfers In	0	1,250,000	67,000	1,317,000
Transfers Out	(1,317,000)	0	0	(1,317,000)
<i>Total Other Financing Sources (Uses)</i>	<u>374,445</u>	<u>4,630,989</u>	<u>67,000</u>	<u>5,072,434</u>
<i>Net Change in Fund Balances</i>	432,515	2,157,159	21,970	2,611,644
<i>Fund Balance (Deficit) Beginning of Year</i>	4,061,384	1,039,454	(18,896)	5,081,942
<i>Fund Balance End of Year</i>	<u>\$4,493,899</u>	<u>\$3,196,613</u>	<u>\$3,074</u>	<u>\$7,693,586</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020*

Net Change in Fund Balances - Total Governmental Funds	\$2,611,644
 Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	967,497
Current Year Depreciation	<u>(607,582)</u>
Total	359,915
The net effect of various transactions involving capital assets (i.e.; disposals and sales) is a decrease in net position.	
Assets Disposed	(62,132)
Accumulated Depreciation on Disposals	<u>56,632</u>
Total	(5,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	50,050
Intergovernmental	<u>(80,379)</u>
Total	(30,329)
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.	
Lease Purchase Agreement - Current Refunding	(4,070,434)
Lease Purchase Agreement Issuance	<u>(1,000,000)</u>
Total	(5,070,434)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	1,459,811
OPEB	<u>39,109</u>
Total	1,498,920
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.	
Pension	(1,633,026)
OPEB	<u>536,676</u>
Total	(1,096,350)
Repayment of long-term bond and lease/purchase principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	
Total	4,477,523
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest on Lease Purchases	(9,840)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Total	<u>(48,104)</u>
Change in Net Position of Governmental Activities	<u><u>\$2,687,445</u></u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$13,690,026	\$13,408,670	\$13,408,670	\$0
Tuition and Fees	109,582	107,330	107,330	0
Interest	151,642	148,525	148,525	0
Extracurricular Activities	8,508	8,333	8,333	0
Rentals	7,092	6,946	6,946	0
Intergovernmental	7,358,757	7,207,521	7,207,521	0
Miscellaneous	37,102	51,339	43,143	(8,196)
Total Revenues	<u>21,362,709</u>	<u>20,938,664</u>	<u>20,930,468</u>	<u>(8,196)</u>
Expenditures				
Current:				
Instruction:				
Regular	9,369,707	8,925,783	9,059,579	(133,796)
Special	2,233,373	2,127,796	2,128,032	(236)
Vocational	182,575	173,924	173,924	0
Other	345	329	5,725	(5,396)
Support Services:				
Pupils	1,206,226	1,149,195	1,159,876	(10,681)
Instructional Staff	362,519	345,342	351,010	(5,668)
Board of Education	226,915	219,146	187,453	31,693
Administration	1,729,617	1,648,013	1,642,330	5,683
Fiscal	542,037	516,353	516,725	(372)
Operation and Maintenance of Plant	2,204,146	2,101,321	2,087,222	14,099
Pupil Transportation	974,900	929,010	927,573	1,437
Central	209,106	199,529	193,029	6,500
Extracurricular Activities	478,847	462,752	462,540	212
Capital Outlay	441,171	426,755	289,813	136,942
Debt Service:				
Principal Retirement	485,000	2,124,799	2,124,799	0
Interest and Fiscal Charges	80,026	129,672	129,672	0
Total Expenditures	<u>20,726,510</u>	<u>21,479,719</u>	<u>21,439,302</u>	<u>40,417</u>
Excess of Revenues Over (Under) Expenditures	<u>636,199</u>	<u>(541,055)</u>	<u>(508,834)</u>	<u>32,221</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	10,000	2,000	2,000	0
Refund of Prior Year Expenditure	90,000	98,966	98,966	0
Proceeds of Lease Purchase - Current Refunding	0	1,689,445	1,689,445	0
Transfers Out	0	(1,240,346)	(1,347,850)	(107,504)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>550,065</u>	<u>442,561</u>	<u>(107,504)</u>
Net Change in Fund Balance	736,199	9,010	(66,273)	(75,283)
Fund Balance Beginning of Year	5,722,911	5,722,911	5,722,911	0
Prior Year Encumbrances Appropriated	264,400	264,400	264,400	0
Fund Balance End of Year	<u>\$6,723,510</u>	<u>\$5,996,321</u>	<u>\$5,921,038</u>	<u>(\$75,283)</u>

See accompanying notes to the basic financial statements

Poland Local School District
 Mahoning County, Ohio

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,894	\$74,652
Liabilities		
Due to Students	0	\$74,652
Net Position		
Held in Trust for Scholarships	\$12,894	

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2020

	<u>Scholarship</u>
Additions	
Interest	\$212
Deductions	
	<u>0</u>
<i>Change in Net Position</i>	212
<i>Net Position Beginning of Year</i>	<u>12,682</u>
<i>Net Position End of Year</i>	<u><u>\$12,894</u></u>

See accompanying notes to the basic financial statements

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Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the District

The Poland Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the Village of Poland and portions of surrounding townships.

The District is the 211th largest in the State of Ohio (among the 896 public school districts and community schools in the State of Ohio) in terms of enrollment. The District is staffed by 200 certified and classified personnel to provide services to approximately 1,750 students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A. - Reporting Entity

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

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Jointly Governed Organizations

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments
The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 493 Bev Road, Building #1, Youngstown, Ohio, 44512.

Mahoning County Career and Technical Center The Mahoning County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career and Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

Public Entity Risk Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Mahoning County School Employees Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of twelve Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. - Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. Following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Capital Project Fund - The Permanent Improvement Capital Projects Fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund is used to account for student activities.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

C. - Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. - Basis of Accounting

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

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include pension and OPEB reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 15 and 16.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide of statement of net position (see Notes 15 and 16).

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

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

E. - Budgets

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

Tax Budget:

Prior to January 15 of the preceding year, 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 expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The amounts reported as the original and final budget amounts reflect the amounts in the first and final amended official certificate of estimated resources, respectively, issued during the fiscal year.

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 of estimated resources saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The Board of Education may pass supplemental 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 fiscal year, all supplemental appropriations were legally enacted by the Board.

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

F. - Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79' "Certain External Investment Pools and Pool Participants." The District measures 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 a NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business days(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2020 amounted to \$148,525, which includes \$39,662 assigned from other District funds.

For purposes of the Statement of Net Position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 6.

G - Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

H. - Capital Assets

The District's only capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years

I. - Interfund Activity

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

J. - Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years of age with at least

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For the Fiscal Year Ended June 30, 2020

10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2020, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

K. - Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. - Fund Balances

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

M. – Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

N. Pensions/Other Postemployment Benefits (OPEB)

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

O. - Estimates

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

Note 3 – Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the District implemented the Governmental Accounting Standards Board’s (GASB) Statement No. 90, “Majority Equity Interest—an amendment of GASB Statement No. 14 and No. 61” and *Implementation Guide No. 2018-1*. These changes were incorporated in the School District’s 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 90, Majority Equity Interest - an amendment of GASB Statement No. 14 and No. 61, aims to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Note 4 – Fund Deficits

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service	\$43,870
IDEA Part B	44,048
Title I	25,978
Improving Teacher Quality	1,018
Miscellaneous Federal Grants	3,000

The deficit fund balances in these funds are the result of adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).
4. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the adult education, public school support and underground storage tank special revenue funds.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$432,515
Net Adjustment for Revenue Accruals	(454,061)
Net Adjustment for Expenditure Accruals	187,066
Net Adjustment for Funds Budgeted as Special Revenue	(7,810)
Adjustment for Encumbrances	<u>(223,983)</u>
Budget Basis	<u><u>(\$66,273)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

At fiscal year-end, the District had \$2,644 in undeposited cash on hand, which is included in the Basic Financial Statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

B. Deposits

At June 30, 2020, the carrying value amount of all the District's deposits was \$2,149,345. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2020, none of the District's bank balance of \$2,426,168 was exposed to custodial risk as described below, meaning all \$2,426,168 was covered by the Federal Deposit Insurance Corporation (FDIC) and the OPCS.

Custodial Credit Risk Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2020, the District had the following investments. STAR Ohio is measured at net asset value per share.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$7,563,692</u>	6 Months or Less

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase.

Credit Risk STAROhio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District places no limit on the amount it may invest in any one issuer. The District's investment in STAR Ohio represents 100 percent of District investments.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

D. Reconciliation of Cash and Investments to the Statement of Net positions

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of June 30, 2020:

<u>Cash and Investments per Note Disclosure:</u>		<u>Cash and Investments per Statement of Net Position:</u>	
Carrying amount of deposits	\$2,149,345	Governmental Activities	\$9,628,135
Investments	7,563,692	Private-purpose trust funds	12,894
Cash on hand	2,644	Agency funds	74,652
Total	<u><u>\$9,715,681</u></u>	Total	<u><u>\$9,715,681</u></u>

Note 7 - 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 property and public utility property located in the School District. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien December 31, 2017, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five 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 Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2020 was \$524,846 in the general fund and \$13,254 in the permanent improvement capital projects fund.

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For the Fiscal Year Ended June 30, 2020*

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$388,872,390	96.44 %	\$391,837,730	96.40 %
Public Utility Personal	14,346,670	3.56	14,623,070	3.60
Total	\$403,219,060	100.00 %	\$406,460,800	100.00 %
Tax rate per \$1,000 of assessed valuation	\$51.00		\$50.90	

Note 8 – Fund Balances

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

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental	Total
<i>Restricted for</i>				
Athletics & Music	\$0	\$0	\$77,930	\$77,930
Auxiliary Services	0	0	43,058	43,058
Capital Improvements	0	1,946,613	0	1,946,613
<i>Total Restricted</i>	0	1,946,613	120,988	2,067,601
<i>Assigned to</i>				
Other Purposes	92,848	0	0	92,848
Capital Improvements	0	1,250,000	0	1,250,000
Encumbrances	205,280	0	0	205,280
<i>Total Assigned</i>	298,128	1,250,000	0	1,548,128
<i>Unassigned (Deficit)</i>	4,195,771	0	(117,914)	4,077,857
<i>Total Fund Balances</i>	\$4,493,899	\$3,196,613	\$3,074	\$7,693,586

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For the Fiscal Year Ended June 30, 2020

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/19	Additions	Reductions	Balance 6/30/20
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$304,780	\$0	\$0	\$304,780
<i>Capital assets being depreciated:</i>				
Land improvements	2,027,341	116,287	0	2,143,628
Buildings and improvements	19,337,677	301,033	0	19,638,710
Furniture, fixtures and equipment	3,266,828	467,658	(7,132)	3,727,354
Vehicles	1,141,859	82,519	(55,000)	1,169,378
<i>Total capital assets being depreciated</i>	<u>25,773,705</u>	<u>967,497</u>	<u>(62,132)</u>	<u>26,679,070</u>
<i>Accumulated depreciation:</i>				
Land improvements	(1,774,533)	(48,737)	0	(1,823,270)
Buildings and improvements	(8,957,405)	(294,914)	0	(9,252,319)
Furniture, fixtures and equipment	(2,428,528)	(194,642)	7,132	(2,616,038)
Vehicles	(903,635)	(69,289)	49,500	(923,424)
<i>Total accumulated depreciation</i>	<u>(14,064,101)</u>	<u>(607,582) *</u>	<u>56,632</u>	<u>(14,615,051)</u>
Capital assets being depreciated, net	<u>11,709,604</u>	<u>359,915</u>	<u>(5,500)</u>	<u>12,064,019</u>
Governmental activities capital assets, net	<u>\$12,014,384</u>	<u>\$359,915</u>	<u>(\$5,500)</u>	<u>\$12,368,799</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$403,300
Special	4,204
Adult/Continuing	0
Support Services:	
Instructional Staff	3,712
Administration	3,712
Fiscal	3,712
Operation and Maintenance of Plant	29,318
Pupil Transportation	22,936
Operation of Non-Instructional Services	7,941
Extracurricular	128,747
Total Depreciation Expense	<u><u>\$607,582</u></u>

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Notes to the Basic Financial Statements
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Note 10 - Receivables

Receivables at June 30, 2020, consisted of taxes and accounts (rent, student fees and tuition). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year.

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

Governmental Activities:	
Property Taxes	\$14,276,261
Accounts	<u>6,053</u>
Total Receivables	<u><u>\$14,282,314</u></u>

Note 11 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 285 days for all employees. Upon retirement, classified employees with at least 10 years of service will receive payment for one-third of their total sick leave accumulation up to a maximum of 63 days.

Upon retirement, certified employees with at least 10 years of service receive payment for one-third of their total sick leave accumulation up to a maximum of 60 days.

Note 12 – Lease Purchase Agreements

On May 1, 2002, the District entered into a \$5,500,000 lease-purchase agreement with Chemical Bank, to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the Chemical Bank. The District is the lessor and Chemical Bank is the lessee under the ground-lease agreement. The ground-lease commenced on May 17, 2002 and terminates on May 1, 2032 or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option. General capital assets consisting of buildings have been capitalized in the governmental activities of the District in the amount of \$5,808,778. This agreement was currently refunded during fiscal year 2020.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

In fiscal year 2008, the District entered into a \$3,000,000 lease-purchase agreement with Farmers National Bank to finance the construction of a new stadium and land improvements. The sources of revenue to fund the principal and interest payments are derived from donations and general operating revenues of the District. General capital assets consisting of buildings and land improvements have been capitalized in the governmental activities of the District in the amount of \$2,980,852. This agreement was currently refunded during fiscal year 2020.

In fiscal year 2010, the District entered into a \$1,743,000 lease-purchase agreement to provide for energy improvements to District buildings. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District. General capital assets consisting of building improvements have been capitalized in the governmental activities of the District in the amount of \$1,743,000. This agreement was currently refunded during fiscal year 2020.

The amounts capitalized under these lease-purchase agreements include the costs of the Projects funded by these agreements that were incurred as of June 30, 2020.

During fiscal year 2020, the District currently refunded \$3,992,523 in principal and \$77,911 in interest on the prior outstanding obligations and issued a new ground lease/lease purchase agreement in the amount of \$5,070,434. This new agreement is dated September 18, 2019 and consists of a current refunding in the amount of \$4,070,434 and a new money portion in the amount of \$1,000,000. The new money portion will be used for the eventual improvement, acquisition or construction of capital projects within the District. The current refunding will save the District approximately \$160,000 over the life of the agreement and will mature on May 1, 2029. During the fiscal year, the District repaid \$485,000 in principal and \$80,026 in interest on this obligation.

The following is a schedule of the future minimum lease payments required under the lease-purchase obligation and the present value of the future minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	
2021	\$580,467
2022	580,144
2023	580,530
2024	580,532
2025	580,176
2026 - 2030	2,278,468
Total Minimum Lease Payments	5,180,317
Less: Amount Representing Interest	(594,883)
Present Value of Minimum Lease	\$4,585,434

Poland Local School District
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Notes to the Basic Financial Statements
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Note 13 - Long-term Obligations

The changes in the District's long-term obligations during fiscal year 2020 were as follows:

	Balance at 06/30/19	Increases	Decreases	Balance at 6/30/20	Amounts Due in One Year
Governmental Activities:					
<u>Other Long-Term Obligations:</u>					
Lease purchase agreements	3,992,523	5,070,434	(4,477,523)	4,585,434	462,000
Compensated absences	1,112,837	185,933	(137,829)	1,160,941	149,493
Total Before Net Pension & OPEB Liability	5,105,360	5,256,367	(4,615,352)	5,746,375	611,493
<u>Net Pension Liability:</u>					
STRS	16,062,648	37,402	0	16,100,050	0
SERS	3,852,935	0	(312,044)	3,540,891	0
Total Net Pension Liability	19,915,583	37,402	(312,044)	19,640,941	0
<u>Net OPEB Liability (Asset):</u>					
STRS	(1,173,882)	0	(31,918)	(1,205,800)	0
SERS	1,899,251	0	(376,463)	1,522,788	0
Total Net OPEB Liability (Asset)	725,369	0	(408,381)	316,988	0
Total	\$25,746,312	\$5,293,769	(\$5,335,777)	\$25,704,304	\$611,493

Lease Purchase Agreements: See Note 12 for detailed information on the lease-purchase agreements.

Compensated Absences: Compensated absences will be paid from the fund in which the employees' salaries are paid. For the District this includes the general fund and the food service, auxiliary services, IDEA grant and Title I grant special revenue funds.

There is no repayment schedule for the net pension liability and net OPEB liability (asset); however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 15 and 16.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2020, are a legal voted debt margin of \$36,581,472, a legal unvoted debt margin of \$406,461, and a legal energy conservation debt margin of \$3,658,147.

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For the Fiscal Year Ended June 30, 2020

Note 14 - Risk Management

A. Property, Fleet and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in coverage from the prior year.

B. Employee Group Health Insurance

The District pays insurance premiums for all full-time employees, less a 10 percent co-pay paid by the employee. For part-time employees, premiums paid by the District based on a percentage worked.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2A). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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Mahoning County, Ohio

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Note 15 – Defined Benefits Pension Plans

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

A. Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. Pensions/OPEB are provided to an employee-on a deferred-payment basis-as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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 proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

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For the Fiscal Year Ended June 30, 2020

B. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire 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, 2019, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$284,733 for fiscal year 2020. Of this amount \$147,000 is reported as an intergovernmental payable.

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For the Fiscal Year Ended June 30, 2020

C. State Teachers Retirement System

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

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,175,078 for fiscal year 2020. Of this amount \$202,880 is reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Districts proportion of the net pension liability was based on the Districts share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06727450%	0.07305270%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.05918080%	0.07280347%	
Change in Proportionate Share	-0.00809370%	-0.00024923%	
Proportionate Share of the Net			
Pension Liability	\$3,540,891	\$16,100,050	\$19,640,941
Pension Expense	(\$109,355)	\$1,742,381	\$1,633,026

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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For the Fiscal Year Ended June 30, 2020

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$89,790	\$131,083	\$220,873
Change of Assumptions	0	1,891,262	1,891,262
District contributions subsequent to the measurement date	284,733	1,175,078	1,459,811
Total Deferred Outflows of Resources	\$374,523	\$3,197,423	\$3,571,946
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$69,694	\$69,694
Net difference between projected and actual earnings on pension plan investments	45,452	786,882	832,334
Change in Proportionate Share	550,074	1,460,557	2,010,631
Total Deferred Inflows of Resources	\$595,526	\$2,317,133	\$2,912,659

\$1,459,811 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$361,859)	\$279,347	(\$82,512)
2022	(166,627)	(318,260)	(484,887)
2023	(3,025)	(335,086)	(338,111)
2024	25,775	79,211	104,986
Total	(\$505,736)	(\$294,788)	(\$800,524)

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.

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Notes to the Basic Financial Statements
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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, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$4,962,054	\$3,540,891	\$2,349,068

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Projected Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Discount Rate of Return	7.45 Percent
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

*Target weights will be phased in over a 24-month period concluding July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	\$23,528,429	\$16,100,050	\$9,811,546

E. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2020, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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Note 16 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

See note 15 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 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 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$39,109.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$39,109 for fiscal year 2020, all of which was reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.06845950%	0.07305270%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.06055330%	0.07280347%	
Change in Proportionate Share	-0.00790620%	-0.00024923%	
Proportionate Share of the Net OPEB Liability (Asset)	\$1,522,788	(\$1,205,800)	\$316,988
OPEB Expense	(\$131,273)	(\$405,403)	(\$536,676)

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At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$22,353	\$109,314	\$131,667
Net difference between projected and actual earnings on OPEB plan investments	3,655	0	3,655
Change of Assumptions	111,222	25,346	136,568
District contributions subsequent to the measurement date	39,109	0	39,109
Total Deferred Outflows of Resources	\$176,339	\$134,660	\$310,999
Deferred Inflows of Resources			
Differences between expected and actual experience	\$334,546	\$61,347	\$395,893
Net difference between projected and actual earnings on pension plan investments	0	75,730	75,730
Change of Assumptions	85,332	1,322,018	1,407,350
Change in Proportionate Share	621,716	173,741	795,457
Total Deferred Inflows of Resources	\$1,041,594	\$1,632,836	\$2,674,430

\$39,109 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$251,746)	(\$324,068)	(\$575,814)
2022	(167,691)	(324,068)	(491,759)
2023	(256,975)	(293,714)	(550,689)
2024	(130,360)	(283,067)	(413,427)
2025	(78,034)	(276,488)	(354,522)
Thereafter	(19,558)	3,229	(16,329)
Total	(\$904,364)	(\$1,498,176)	(\$2,402,540)

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

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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, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

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change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15 for details.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.0% decreasing to 3.75%) and higher (8.0% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
District's proportionate share of the net OPEB liability	\$1,848,376	\$1,522,788	\$1,263,908
	1% Decrease (6.0 % decreasing to 3.75 %)	Current Trend Rate (7.0% decreasing to 4.75 %)	1% Increase (8.0 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$1,220,062	\$1,522,788	\$1,924,433

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Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Health Care Cost Trends:	
<i>Medical</i>	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
<i>Prescription Drug</i>	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

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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, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	(\$1,028,910)	(\$1,205,800)	(\$1,354,523)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	(\$1,367,322)	(\$1,205,800)	(\$1,007,975)

Note 17 - Interfund Activity

Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported on the fund financial statements:

	Transfers In	Transfers Out
Major Governmental Fund: General	\$0	\$1,317,000
Non-major Governmental Fund: Permanent Improvement	1,250,000	
Food Service	67,000	0
Total	\$1,317,000	\$1,317,000

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

The general fund transferred \$67,000 to the food service special revenue fund to help cover costs and \$1,250,000 to the permanent improvement fund to help fund future capital projects.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 18 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned fund balance. At year end, the District's only significant commitment for encumbrances was in the general fund in the amount of \$223,983 and the permanent improvement capital projects in the amount of \$1,430,810. Total encumbrances outstanding for all District funds was \$1,676,028 at fiscal year-end.

Note 19 - Set-Asides

The 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 acquisitions. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2019	\$0
Current Year Set-Aside Requirement	326,649
Qualifying Disbursements	0
Current Year Offsets	<u>(384,392)</u>
Total	<u><u>(\$57,743)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Cash balance as of June 30, 2020	<u><u>\$0</u></u>

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

Note 20 - Contingencies

A. Grants

The 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 agreement 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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B. Litigation

The District is not currently party to any legal proceedings.

C. School District Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. As of the date of this report, additional ODE adjustments for fiscal year 2020 have been finalized, which did not result in a material receivable to, or a liability of, the School District.

Note 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either Federal or State, cannot be estimated.

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Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio (SERS)
Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05918080%	0.06727450%	0.08604480%	0.09297150%	0.09233090%	0.09125200%	0.09125200%
School District's Proportionate Share of the Net Pension Liability	\$3,540,891	\$3,852,935	\$5,140,987	\$6,804,656	\$5,268,491	\$4,618,212	\$5,426,464
School District's Employee Payroll	\$1,972,704	\$2,612,100	\$3,048,879	\$2,796,293	\$2,924,985	\$2,666,652	\$2,418,707
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	179.49%	147.50%	168.62%	243.35%	180.12%	173.18%	224.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS)
Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.072803470%	0.073052700%	0.078854970%	0.084115160%	0.087839370%	0.084339460%	0.084339460%
School District's Proportionate Share of the Net Pension Liability	\$16,100,050	\$16,062,648	\$18,732,167	\$28,155,880	\$24,276,233	\$20,514,275	\$24,436,471
School District's Employee Payroll	\$8,307,486	\$8,641,393	\$9,504,207	\$9,067,514	\$9,342,086	\$9,786,246	\$9,068,397
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	193.80%	185.88%	197.09%	310.51%	259.86%	209.62%	269.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Pension Contribution	\$284,733	\$266,315	\$365,694	\$426,843
Pension Contributions in Relation to the Contractually Required Contribution	(\$284,733)	(\$266,315)	(\$365,694)	(\$426,843)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,109,133	\$1,972,704	\$2,612,100	\$3,048,879
Contributions as a Percentage of Employee Payroll	13.50%	13.50%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2016	2015	2014	2013	2012	2011
\$391,481	\$385,513	\$369,598	\$334,749	\$310,642	\$289,428
(\$391,481)	(\$385,513)	(\$369,598)	(\$334,749)	(\$310,642)	(\$289,428)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,796,293	\$2,924,985	\$2,666,652	\$2,418,707	\$2,309,606	\$2,302,530
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

Poland Local School District
Mahoning County, Ohio

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Pension Contribution	\$1,175,078	\$1,163,048	\$1,209,795	\$1,330,589
Pension Contributions in Relation to the Contractually Required Contribution	(\$1,175,078)	(\$1,163,048)	(\$1,209,795)	(\$1,330,589)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,393,414	\$8,307,486	\$8,641,393	\$9,504,207
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2016	2015	2014	2013	2012	2011
\$1,269,452	\$1,307,892	\$1,272,212	\$1,178,892	\$1,237,410	\$1,281,450
(\$1,269,452)	(\$1,307,892)	(\$1,272,212)	(\$1,178,892)	(\$1,237,410)	(\$1,281,450)
\$0	\$0	\$0	\$0	\$0	\$0
\$9,067,514	\$9,342,086	\$9,786,246	\$9,068,397	\$9,518,536	\$9,857,308
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

Poland Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio (SERS)
Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.06055330%	0.06845950%	0.08685080%	0.08685080%
School District's Proportionate Share of the Net OPEB Liability	\$1,522,788	\$1,899,251	\$2,330,847	\$2,475,569
School District's Employee Payroll	\$1,972,704	\$2,612,100	\$3,048,879	\$2,796,293
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	77.19%	72.71%	76.45%	88.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Poland Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio (STRS)
Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.072803470%	0.073052700%	0.078854970%	0.084115160%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,205,800)	(\$1,173,882)	\$3,076,630	\$4,217,184
School District's Employee Payroll	\$8,307,486	\$8,641,393	\$9,504,207	\$9,067,514
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Employee Payroll	-14.51%	-13.58%	32.37%	46.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.74%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Poland Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required OPEB Contribution	\$39,109	\$46,376	\$40,704	\$45,186
OPEB Contributions in Relation to the Contractually Required Contribution	(\$39,109)	(\$46,376)	(\$40,704)	(\$45,186)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,109,133	\$1,972,704	\$2,612,100	\$3,048,879
Contributions as a Percentage of Employee Payroll	1.85%	2.35%	1.56%	1.48%

See accompanying notes to the required supplementary information.

2016	2015	2014	2013	2012	2011
\$34,779	\$72,179	\$67,564	\$43,316	\$54,556	\$75,231
(\$34,779)	(\$72,179)	(\$67,564)	(\$43,316)	(\$54,556)	(\$75,231)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,796,293	\$2,924,985	\$2,666,652	\$2,418,707	\$2,309,606	\$2,302,530
1.24%	2.47%	2.53%	1.79%	2.36%	3.27%

Poland Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,393,414	\$8,307,486	\$8,641,393	\$9,504,207
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2016	2015	2014	2013	2012	2011
\$0	\$0	\$97,862	\$90,684	\$95,185	\$98,573
\$0	\$0	(\$97,862)	(\$90,684)	(\$95,185)	(\$98,573)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,067,514	\$9,342,086	\$9,786,246	\$9,068,397	\$9,518,536	\$9,857,308
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

Poland Local School District
Mahoning County, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020*

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 & Prior
Wage Inflation	3.00 Percent	3.25 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent	4.00 Percent to 22.00 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation	7.75 Percent Net of Investment Expense, Including Inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018
Inflation	2.50 Percent
Projected Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

	Fiscal Year 2017 & Prior
Inflation	2.75 Percent
Projected Salary Increases	12.25 Percent at Age 20 to 2.75 Percent at Age 70
Investment Rate of Return	7.75 Percent, Net of Expenses, Including Inflation
Payroll Increases	3.50 Percent
Cost of Living Adjustments (COLA)	2 Percent Simple applied as follows: For Members Retiring Before August 1, 2013 3 percent per year. For Members retiring August 1, 2013 or later, 2 percent COLA commences on 5th anniversary date

Poland Local School District
Mahoning County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Poland Local School District
Mahoning County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

OHIO AUDITOR OF STATE KEITH FABER



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

Poland Local School District
Mahoning County
3199 Dobbins Road
Poland, Ohio 44514

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Poland Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 2, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion

on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 2, 2021

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Material Weakness – Financial Reporting

In the Auditor of State audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District hired an outside accounting firm to convert the District's cash-basis financial statements to the required GAAP basis.

However, the District did not have policies and procedures in place to identify financial statement errors, which led to the following and are reflected in the accompanying financial statements:

- The Permanent Improvement fund was not identified and disclosed as a major fund in the initially prepared and filed basic financial statements;
- An unspent transfer into the Permanent Improvement Capital Projects fund of \$1,250,000 was classified as a restricted fund balance, however, it should have been classified as assigned fund balance; and
- The District netted the amount of the Other Postemployment Benefits Liability against the Net OPEB Asset resulting in an understatement of liabilities and assets by \$1,205,800.

Other mispostings were identified, however they were not material and the District decided not to make the adjustments.

Improper financial reporting can result in irregularities that decrease the reliability of the basic financial statements.

To help ensure the District's financial statements are complete and accurate, the District should adopt policies and procedures to identify and correct errors and omissions. In addition, the District should review the GAAP working papers to ensure the figures reported on the financial statements are accurate.

Official's Response: The District uses an accounting firm to prepare its basic financial statements under accounting principles generally accepted in the United State of America (GAAP). Management agrees the Permanent Improvement Fund should have been presented as major on the financial statements and we will ensure it is in the future. However, the District would like to point out that the presentation of the permanent improvement fund has not altered the financial position of the district in any way. This presentation adjustment did not result in any change to the assets, liabilities, revenues, and expenditures in total and are exactly the same as reported in the Hinkle System as filed. This presentation simply removes the permanent improvement fund activity out of the other governmental funds column and presents it on its own.

The District has implemented procedures to better review the basic financial statements with the accounting firm and will ensure that should a fund meet the major fund reporting requirements in the future, it will be presented in accordance with GASB 34.

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OHIO AUDITOR OF STATE KEITH FABER



POLAND LOCAL SCHOOL DISTRICT

MAHONING 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 3/9/2021

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